

Business on a budget

by Linda Whitney

PLENTY of franchises cost less than £10,000, so you may be able to get started without borrowing money. Know exactly what you have to invest and investigate the full cost of the franchise, including the initial investment and ongoing costs such as monthly management fees. Ask what you get for your money.

Anita Brook, founder of the Accounts Assist franchise, says: 'The £10,000 initial fee includes registration of your company, manual, and a week's intensive training in the skills required, so you need no previous accountancy experience.'

The package also includes stationery, computer equipment and software, marketing launch and a database of 3,000 possible clients. The monthly service fee of 10 per cent of turnover helps fund ongoing support from an account manager, national marketing and technical updates.

The FitKid franchise, which provides exercise sessions for children, offers a special package for franchisees signing up in January. It includes two banners, 10,000 flyers, two FitKid head office team members to assist your launch event and a visit from Sportacus from the children's TV show LazyTown.

The FitKid franchise is £7,500, but



Picture: MURRAY SANDERS

'INVESTING in an affordable franchise meant I didn't have to wait long for a return on my Initial Investment,' says Lorna Smith. Lorna (pictured) chose the WPA Health Insurance franchise after investigating its offerings as a customer. The franchise costs £10,000, including a £2,500 fidelity bond, returnable when you retire or sell your business.

'The relatively low start-up cost was a key factor — it reflects the fact that WPA is a not-for-profit organisation,' says Lorna, 44, who bought the franchise in December 2008, after a career in pharmaceutical sales. 'Don't assume that less costly

franchises offer little in the way of support,' says Lorna. 'WPA gave me thorough training in its products and business methods, and there is always someone at the end of the phone to offer help if you need it.'

She adds: 'Don't draw conclusions based solely on the cost of a franchise — investigate the whole package.' Berkeley Harris, of WPA, says: 'You don't need a background in medical or financial services to be a WPA franchisee, but you must be confident talking to corporate and individual customers, with the drive and ability to run your own ethical business.'

Bowman, of etyres, whose franchisees run a tyre supply and fitting service. It costs £35,000, but you can get started with £10,000 plus bank borrowings.

If you need to borrow, banks prefer long-established franchises over independent start-ups. 'Bank franchise arms are more likely to lend smaller sums because repayments are more affordable,' says Mark Scott, director of franchise development at NatWest/RBS.

Borrowing less than £25,000 also means you can get an immediate decision based on your credit score.

Bank franchise departments typically lend up to 70 per cent of the money you need to get started, provided they have an established relationship with the franchisor.

The bank will expect to see a detailed business plan (franchisors

can help you) and will check your credit history, existing funds and business skills. It might want to take a charge on your home.

If you have no assets, the bank can guide you to the government's Enterprise Finance Guarantee scheme, which guarantees 75 per cent of your loan.

Do not be tempted to over-borrow. 'Repayments will come out of the business income, so ensure you are left with a decent surplus,' says Mr Scott. Banks like to see repayments covered by at least 1.5 times the business profits, so on a £10,000 loan, profits should be £15,000.

For advice about other financial help, see www.businesslink.gov.uk.

■ ACCOUNTS Assist 01327 856076; FitKid 08700 85 1000; Revive! 0800 056 2999; etyres 0800 028 9000; WPA 01823 625 120; NatWest/RBS franchise team 0800 092 9117.