FRANCHISING:

A GUIDE TO TAKING THE NEXT STEP IN YOUR JOURNEY TOWARDS A SUCCESSFUL NEW CAREER

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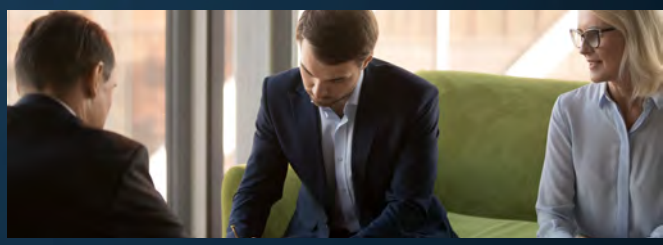

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Joining a franchise is a big commitment. Our expert knowledge can help you discover how to spot a quality franchise and find the right partnership for you.

1. WHO ARE YOU?

And what do you want?

Simple questions but ones that rarely have simple answers! However, thinking about what has brought you to this point and what you want to achieve is an important first step. Don't worry if you are not sure of the answer yet – you're not alone! Many people want to change their careers but are unsure what direction they should take and how to make that leap to something new.

People consider franchising for a whole range of different reasons but they all have one thing in common: they want to make a positive change in their working lives.

Are you unhappy in your current working situation?

Perhaps you are dissatisfied at work, feel you are poorly rewarded for your efforts, don't get on with your boss or there is too much office politics. Maybe you are feeling under appreciated and undervalued, or maybe you just want to start building something you can be proud of for you and your family. Perhaps you already run your own company but are finding it is just not working for you anymore – you've lost that spark that used to get you out of bed in the morning, or just feel it is time for a new challenge.

More often than not, earnings are simply the end result of your productivity, what really counts is feeling that your passion and energy are being put towards something worthwhile. When your working life stops you from achieving your personal goals, exceeding your limitations and pushing yourself to new heights, even the shine of a fantastic salary can soon begin to fade.

Whatever the reason, there comes a time when the disadvantages start to outweigh the advantages, and moving on becomes inevitable.

Have you been made redundant?

It is also possible that this decision has already been made for you. Mainstream opinion is usually that working in a salaried job is more secure than self-employment but nothing is ever certain in life. You may find yourself leaving a job through no fault of your own and suddenly all of your great ideas and hard work have gone out the window.

A part of you might even be happy to go if you were already starting to feel dissatisfied but it still puts you in a tricky situation. However, a great many successful franchisees started their new careers following redundancy, and can now point to that difficult time in their life as the beginning of a fantastic new phase.

Making your move

Taking the leap to something new however, is never easy. Leaving the comfort of employment, with its regular pay packets, sales and marketing departments, guidance, structure and culture can seem like a difficult change to make.

Even if you are a highly motivated individual, turning your back on all your hard work can be incredibly difficult and there is always a certain amount of risk involved. The prospect of making the move into self-employment and failing is a terrifying one – it might even feel worse than the situation you are in now! With the majority of new start-ups failing in their first three years, this is a big worry for even the most confident and ambitious of individuals.

Fortunately there is another way

Franchising offers you the best of all possible worlds

When you join a franchise, you can experience all the benefits of working for yourself, while still receiving the same support you would from a top-notch employer. There are a huge number of benefits to joining a franchise, which we will look into in more depth later but the biggest one is that you can be a part of an established business model that already has a proven track record of success.

You are free to receive all the rewards of your hard work but can still benefit from everything the franchisor can offer you, such as advertising, brand building and, most importantly, helping you find new business leads.

Exactly how successful you are still comes down to you of course, but the sky really is the limit. If you are willing to work hard and commit to long-term success, but still want the benefits of a supportive arrangement with a steering hand, then you should seriously consider franchising as one of your options.

Whatever has brought you here today, all of your hard work and experience have lead you to this moment – reading this guide and making yourself ready to take control of your own destiny.

Are you ready to create a new life where you are in charge and can achieve the success you so richly deserve? If the answer is yes, then franchising could be what you have been waiting for. In the next section, we will look at exactly what it is and how it works.

SOMETIMES THIS DECISION IS UNAVOIDABLE AND IT IS NOT ALWAYS ABOUT THE MONEY
FEAR OF FAILURE IS PROBABLY THE BIGGEST OBSTACLE STOPPING PEOPLE FROM ACHIEVING THEIR DREAMS

2. WHAT IS FRANCHISING?

Whether or not you knew much about franchising before today, you will still be surprised at just how big an industry it is. Most people know about the big name franchises – McDonald's, Subway, Costa Coffee, etc. Each one is a testament to the power of franchising to effectively grow businesses but that's barely scratching the surface.

Franchising is one of the most popular and successful ways for businesses to expand and covers a huge range of industries, from fast food and accountancy, to home renovation and construction. There are an incredible 935 franchises operating in the UK today, spread over nearly 50,000 different units.

Franchising has helped thousands of people in the UK build their own business, giving them the power to turn their lives into an outstanding success and generate millions of pounds in earnings. But how does it work and what is involved in a franchise arrangement?

Understanding the terminology

• FRANCHISE

Put simply, a franchise is the right or licence granted by a company (franchisor) to an individual (franchisee) to market and/or trade their products and services in a specific area or territory.

• FRANCHISOR

This is the company that offers the licence, with whom you sign an agreement.

• FRANCHISEE

Also known as the franchise owner, or franchise partner, this is the group or individual that has purchased the licence from the Franchisor.

The franchise set-up is simple. The Franchisor is the main company and the franchisee pays a fee to have access to all their business systems, trading model, equipment and supplies (where applicable), branding and marketing. As well as the initial franchise fee, a franchisee will normally pay regular royalties to the franchisor in order to access things such as training, support and marketing assistance. The agreement is governed by a contract, the 'franchise agreement".

The role of the franchisee is to consistently represent the business in the best possible manner to the customer, in line with the expectations of the franchisor.

The role of the franchisor is to provide essential business services to the franchisee. This should include structure, processes, systems, products, equipment and recruitment materials.

However, this legal arrangement is just the start of what franchising is all about. In a good franchise there is a very strong, trusting relationship between the two parties where both benefit equally from the arrangement. This usually goes beyond the business definition and legal agreement.

At the very heart of this is constant communication and support from the franchisor, particularly in the early, most difficult months of the arrangement, to ensure that the franchisee has everything they need to succeed.

How much does it cost to join a franchise?

There is usually one single payment to enter into a franchise agreement, and this is called the franchise fee. This can vary a great deal, from a few thousand pounds to over a hundred thousand, depending on the exact nature of what you are buying into and where your new business will operate. For example, it may be that certain territories are valued more highly than others, such as London compared to more remote locations. Included in the franchise fee should be a fully comprehensive training and business launch pack.

With some of the bigger franchises there may even be a multi-level agreement, where a master franchisee purchases the national rights to operate a franchise in an entire country, and then finds their own sub-franchisees. There may also be opportunities to expand further down the line and take on multiple territories – over a third of franchisees in the UK now own multiple units.

Ongoing Costs

As a franchise owner, there will be some ongoing fees payable to the franchisor, these are usually referred to as Management Service Fees (MSF) and are generally paid on a monthly basis. They could be calculated as a percentage of your revenue generated by sales, as a fixed fee, or even as a mark-up on products purchased through an exclusive arrangement with the franchise's supplies.

Franchisors will use Management Service Fees to fund product and service development, ongoing support in the form of training and business coaching, use of the 'know how' and trademarks and to continue to develop and expand the brand. A good franchisor will want to give their franchisees the best possible start in their new roles and will provide comprehensive business support and advice.

It is this above and beyond attitude and dedication that makes small, less well known franchises grow into recognised national and global brands.

By forming a special relationship with a franchisor, you are setting yourself up for success. In the next section, we will go into more detail about all the incredible benefits of joining a franchise over going it alone.

THE FRANCHISING SECTOR EMPLOYS MORE THAN 700,000 PEOPLE IN THE UK, AND IS WORTH MORE THAN £17.2 BILLION TO THE UK ECONOMY

2018 British Franchising Association-Natwest Franchise Survey

A SUCCESSFUL FRANCHISE IS A TWO-WAY STREET, WHERE BOTH PARTIES CAN SHARE THEIR NEEDS AND AMBITIONS, AND WORK TOGETHER TO ACHIEVE THEIR GOALS

3. WHY SHOULD YOU CHOOSE FRANCHISING?

So, the big question is: what makes franchising better than starting a business yourself? After all, if being self-employed is all about making money and being independent, why would you give some of that away for the privilege?

More than 50% of new start-ups fail in their first three years, compared to less than 10% of new franchises - 2018 British Franchising Association-NatWest Franchise Survey

This is a very unfortunate statistic. The truth is, even with the best idea, product or service in the world, starting a business is hard and in an uncertain world, that's a big worry when you are trying to fulfil your dreams and run your own business.

Joining a franchise means, you are joining a long established, tried and proven business concept and there are huge number of benefits over going it alone. As a partner in a franchise, you can benefit from:

• A PROVEN FORMULA FOR SUCCESS

An established franchise has already been through all the trials and tribulations that every new business faces having perfected a business model that has withstood the test of time. Proof of concept is established in that this model can be replicated by franchisees elsewhere in the country, giving you the head-start you need.

• TRAINING & SUPPORT

A good franchisor already knows what skills and expertise a business owner needs to succeed in their industry and will have a comprehensive programme in place to train you in these skills. Most will also have a dedicated support team on-hand to give you all the advice and guidance you need throughout the terms of your partnership.

• SALES & MARKETING UNDER AN ESTABLISHED BRAND

As a new business, building up your brand takes a great deal of time and money before you can see a decent return. With a brand that has already carved out its place in the market, you can immediately benefit from the reputation and customer recognition that goes with it. Most franchises will have a central marketing team that can help promote your business and get those precious first customers through the door as soon as possible.

• A BETTER WORK-LIFE BALANCE

When you go it alone, you will often find yourself working all hours to get your business off the ground. With a franchise, there is already a sustainable and scalable model for growth, meaning you will be able to enjoy your success without all the stress and anxiety that comes from uncertainty.

• BEING PART OF SOMETHING BIGGER

When you run your own business, it can often feel quite isolating and be hard to find the support and advice you need. As part of a franchise, you will be part of a larger network of like-minded individuals who have been exactly where you are. Franchisors greatly encourage interaction between their different franchisees so that you can share problem-solving and best practice.

You might also find that raising money to start your own business is very challenging. As franchising is rightfully seen as one of the safest and most reliable ways of doing this, most banks will look very favourably on helping you invest if you show you want to be part of a business with a proven track record.

The advantages of franchising are extensive – so much so that you might even think that it is too good to be true! Actually, it is a two-way street where both franchisor and franchisee benefit, so in the next section we will look at why businesses choose to franchise and what is in it for them.

MORE THAN 50% OF NEW START-UPS FAIL IN THEIR FIRST THREE YEARS, COMPARED TO LESS THAN 10% OF NEW FRANCHISES

2018 British Franchising Association-Natwest Franchise Survey

IT'S UNSURPRISING THAT BANKS IN THE UK HAVE TYPICALLY FAVOURED LENDING TO FRANCHISED BUSINESSES OVER OTHER STAND-ALONE SMALL BUSINESSES

2018 British Franchising Association-Natwest Franchise Survey

4. WHY DO BUSINESSES CHOOSE FRANCHISING?

If you have never heard of franchising before then you might wonder why a successful business decides to use this model to aid their business growth. What are the advantages for the company? If a company has such a good business model, then why are they letting other people in on it?

With so many advantages to you in joining a franchise, you are probably wondering: what's the catch?

Actually, there isn't one. Franchising is just as good for the franchisor as it is for the franchisee, which is why it is rapidly becoming one of the most popular ways for businesses to expand. If you think of all the big name brands you see in offices, showrooms and high streets around the country, I would bet that a lot more of them are franchises than you realise!

To understand why this is, imagine a small business that is doing very well for itself. They have a profitable product or service that is very much in demand, and now want to grow their business into new areas, possibly even opening up in new locations to gain new customers. They have two ways they could go about this:

1) Expand the company into a corporation, invite investors to raise the money needed and maintain ownership of all their offices and outlets around the country.

2) Restructure the company and invite in franchisees who are willing to take on the responsibilities of running their own section of the business. The franchisees own their own business but pay a portion of their revenue to the parent company.

Whichever route they decide to take, the company will still need to do two things: raise money and take on new people.

The Challenge

The first choice means sharing all their top-level decisions with outside shareholders, who may or may not share their long-term plans. They even have the power to overrule the decisions of the original owners of the company, even if those decisions reflect the extensive experience of the industry those owners have. The company will also have to employ scores of managers and employees to run their new branches.

Will the shareholders always make decisions that best serve the company? Can every single new manager be trusted to carry on the energy and vision that has got the brand where it is today?

It is a risky route. Obviously, it has worked for a number of large businesses, but so many more are now turning to an alternative.

The Solution

Franchisees are very different from shareholders or corporate managers. They are owners in the business, without the same rights as shareholders, but with the same passion for working hard and achievement as the people who set up the company.

This is the key reason why franchising is such a winning business strategy for companies looking for growth.

Franchising offers the business a number of distinct and highly attractive advantages:

- Franchisees are more highly motivated than employees, working harder and for longer and provide a better customer service experience.
- Because franchisees buy their territory from the franchisor, the franchisor can use that investment to help train and establish the new franchisee to expand the brand.
- Companies that adopt the franchise model are able to grow more rapidly than those that try to handle everything themselves. This is very important when launching a new product or service and where fast, aggressive expansion is required to take market share from a competitor.
- There is reduced risk for both parties. The franchisor does not expose themselves to excessive capital risks and the franchisee does not have to allocate time, money and resources figuring out a completely new business model.
- Franchisees often help develop the brand. Due to their involvement and desire to see the company grow, they can help further develop and refine products and services.

In summary, franchising gives businesses a way to raise money, grow the company, and attract talented and motivated people to their brand. It gives them access to leaders who are prepared to invest both financially and emotionally in their business.

By now, you should understand why franchising is such a fantastic opportunity for both the franchisor and franchisee, with clear and obvious benefits for both parties. In the next section you will get to take a look at the franchise selection process and discover how you can find the perfect business opportunity for you. Key areas of interest will be discussed and you'll have a chance to understand why certain processes and behaviours are so important when you're looking to work with the right franchisor for you.

THE NUMBER OF UK BUSINESS WHO CHOOSE FRANCHISING HAS MORE THAN TRIPLED IN THE LAST 30 YEARS

2018 British Franchising Association-Natwest Franchise Survey

MORE THAN 900 DIFFERENT COMPANIES NOW OPERATE THEIR BUSINESS AS A FRANCHISE IN THE UK

2018 British Franchising Association-Natwest Franchise Survey

5. HOW DO YOU FIND THE RIGHT FRANCHISE OPPORTUNITY FOR YOU?

Now that you have reached this final section of the guide, you must have a pretty good idea of how franchising could help you make the jump from an unsatisfactory work situation into something with huge potential.

As we said, there are many franchisees out there. They span almost every industry in the UK and offer many opportunities for highly motivated individuals like you to build their own successful businesses.

But how do you spot a good one? How can you be sure a franchise has the quality and professionalism you need?

When you're looking for the right franchise opportunity, one of the most important things to recognise is that your relationship with the franchisor will be at the heart of your business. So, the most important thing you need to look for is the attitude that a franchisor has towards its potential franchisees.

A good franchise will never give you the hard sell. They will want to work only with individuals who are genuinely interested in working with them to grow the business, someone who is fully prepared to invest their time, energy, and money into helping their business grow. For this reason, you should be looking for a franchisor who treats their franchise as a meeting of minds and shared objectives, not just an opportunity to make a sale from you.

A great franchise always has a long-term relationship in mind and will expect as much from you as you do from them. After all, this is all about a mutually beneficial arrangement. You will be working with them, not for them.

Key factors that you should be looking for

- They are great at finding new candidates. Franchising is a competitive industry and it is vital that a franchisor can attract the right people to grow their business and brand. Even if they are a relatively new franchise with only a few partners, they should also have a clear and strong procedure in place for how they recruit new franchisees.
- They have a strong training and support system in place for new and existing franchisees. A good franchisor will be prepared to take responsibility and help franchisees achieve their goals. Check to see if they have a dedicated support team in place, as well as clear details of how they plan to train and support you.
- They have strong links and bonds within their own network. They encourage franchisees to come together to share ideas and problem solving with regular events and there is constant contact between the head office and each franchisee.
- Promotion of a solid, identifiable brand. In order to grow the sales and marketing side of the business, the franchisor must be prepared to spend a significant amount of their revenue to secure new business leads.

This list is by no means exhaustive but, in our experience, a franchise that cannot demonstrate competence in these four areas is not up to the standard expected from a modern franchise and may not stand the test of time.

Take your time

There is a lot to think about and we recommend that you take as much time as you need to research a number of opportunities before deciding what is right for you. You may not be happy where you are, and are putting yourself under a certain amount of pressure to make a change but diligence and patience is also necessary to make sure this change is a positive one.

Be prepared to take a considerable amount of time reviewing the franchises available online.

After you have selected the types of business that appeal to you, research and find out the options available to you. Most franchises have a large amount of literature available, both about their products and services and about the franchise opportunity, and are more than happy to share it with you. Take full advantage of this.

Have a look at their website and see if there are any case studies of current franchisees. Check to see how they are linked to the franchising community as a whole. For example, membership of the British Franchising Association is a good sign, as it means the franchise is committed to a certain standard of ethicality and professionalism.

Above all, remember what your goal is: creating a better future for yourself. Ask yourself if you could see yourself working in a particular industry. If a sector doesn't appeal to you, then no amount of returns will make you happy in the long term.

Look at their process

Once you have identified an attractive franchise, one of the best indicators of the quality of their offering is their franchise selection process.

This should include:

- Fully and honest communication about your expectations. From the moment you meet a franchisor, they should be trying to qualify what it is you want from the relationship. If they don't firmly believe that they are able to meet your goals, then they should end the recruitment process. A good franchise isn't afraid to turn people away if they don't meet their expectations!
- They need to understand what success looks like. Franchisors should have a profile of their ideal franchisee candidate in terms of personality, background, life experience as well as the capital necessary to purchase the franchise. If a franchisor is prepared to accept anyone with enough capital to join the franchise, this is a negative sign.
- A no pressure arrangement. A good franchisor understands that this process is actually only the first step in a long-term commitment. They won't want to rush you into a decision, when what's required is genuine, lasting commitment.
- Clear signposting of the next step. You'll be told what's going to happen next and supplied with any information you need in the interim. This way you will understand exactly where you are in the overall process

We've said it before but it is worth repeating: a good franchise is one where there is a shared vision for the business and a commitment to a long-term relationship that works for both parties.

We hope that we have given you everything you need to make a start, with only have one more thing to say:

WE HOPE THAT WE HAVE GIVEN YOU EVERYTHING YOU NEED TO MAKE A START, WITH ONLY ONE MORE THING TO SAY:

GOOD LUCK ON YOUR JOURNEY!

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