



MAKING FRANCHISING WORK FOR YOU AND YOUR BUSINESS

**A GUIDE TO UNLOCKING YOUR
BRAND'S FULL GROWTH POTENTIAL**



INTRODUCTION

Franchising your business is an extraordinarily powerful way to grow an already successful brand quickly and effectively but, like any growth strategy, it requires careful understanding and planning to get the right results.

I'm Alan Wilkinson, and I am Head of Franchise Development at The Franchising Centre, a team of professional consultants and experts dedicated to helping businesses like yours tap into the incredible growth potential of franchising. As a Qualified Franchise Professional who has worked with more than 150 brands, my 30 years of experience has given me a unique insight into exactly what it takes for businesses to succeed as a franchise.

Success at franchising isn't as simple as putting together a rough package, announcing to the world you are ready for franchisees, and sitting back to wait for those emails and calls to start rolling in – because it just isn't going to happen.

You need to work to make it happen, and make sure you do it right. Whether you are new to the concept of franchising, or already understand a great deal about it, the purpose of this guide is to start to help you to do exactly that. While it is only an overview, I hope it will help you to gain important insights into what steps you need to take on your franchising journey, and how to make the most of all the advantages it can offer you.

Should you have any questions at all, please do feel free to get in touch. We're here to help.

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Chapter One

IS YOUR BUSINESS RIGHT FOR FRANCHISING?

Franchising is, without a doubt, one of the most effective ways of growing your business. It is the growth strategy behind some of the world's most successful brands – McDonald's, Starbucks, Subway, to name but a few – and all of these big names used it to go from small, localised brands into true titans of the business world.

There are plenty of great reasons why you should consider it for your brand, too, with these being by far the most important:

- Quickly and easily replicate your success in multiple locations in the UK or overseas
- Attract high-end business partners by transforming them into stakeholders
- Expand far faster than organic growth would allow
- Cushion your growth against the peaks and troughs of the economy
- Free yourself from risky capital expenditure – use other people's money instead!

However, just because franchising is a great option, does not necessarily mean it is the right option for you and your business. Some business models are more easily suited to the concept than others, and some might have huge potential for growth with franchising, but simply are not ready for it.. not yet, anyway.

There's a great deal to consider when it comes to making a big decision like this, but we have tried to narrow it down to 5 absolutely critical questions you need to ask yourself:

The 5-star franchising viability check

1. *Do you have a proven business model which is successful and profitable?* Regardless of how big your business is, you need to have a defined system of operating, a distinctive name and appearance, and an established local reputation.
2. *Can your business be replicated elsewhere?* Will your business model work in a number of locations around the UK, or around the world, and will your product or service be in demand anywhere a new franchisee might launch?
3. *Can your business model be learnt in a reasonable period of time?* Can someone with the right profile and skills be trained by you or your team to have the same success in their own territory?

4. *Can your business model provide strong enough profit margins for both you and your franchisees?* Franchisees are also investors, so they need to know they will get a decent return even after you've taken your "cut".
5. *Do you and your business have a mutual culture of trust and support which will extend to franchisees?* Franchising is a two-way street where both parties benefit, but only if you can build the right structures and culture.

If you answered "yes" to those questions, there's just one more question to think about when it comes to your business, and this is the big one:

Seeing how successful your business model, product or service is, why would someone pay you a substantial upfront fee and a percentage of their turnover monthly instead of just going into business for themselves and competing with you?

I regularly chat with businesses who can not yet tick all of these boxes. However, if we can see a way through developing models, systems and processes to address this, which we usually can, then we can plan a way forward in franchising.

If you can fully understand all the benefits which attract people to joining a franchise, and how you can provide them in an effective and competitive way, you've taken the first big step in franchising your business.

So, once you have decided franchising is the right route for you, and that your business has what it takes to succeed as a franchise, how do you actually go about making it work?

Some of the biggest reasons why people choose to invest in a franchise:

- The desire to be their own boss and to control their own destiny
- Wanting a work / life balance and being able to arrange their working week around family commitments
- A desire to join a tried and tested business model which has already been proven to work
- Avoiding all the obstacles and pitfalls new businesses usually face
- The profile and reputation of a well-established brand
- Faster returns on their investment compared to going it alone
- Bulk buying power and more efficient operations
- Access to training and support from experts in the industry
- Being their own boss, but still being part of something bigger
- Being part of a network of like minded individuals to learn from and bounce ideas off

Chapter Two

THE 3 ESSENTIAL STEPS TO CREATING A SUCCESSFUL FRANCHISE

What's the first thing you think about when it comes to making your franchise a success? Chances are your answer here will be the bottom line of this whole process: recruiting franchisees. If so, I strongly advise you take a step back for one moment.

Recruiting lots of franchisees isn't what makes a franchise great, it is what a franchise does when it becomes great.

Becoming the kind of franchise which can attract scores of top notch franchisees takes time, commitment, and resources, and you need to lay strong foundations before you can achieve the results you want to see.

We often talk about franchising as a journey, and there are several points you need to travel through on your way to the phase of the journey when you can effectively start recruiting. Which is why franchisee recruitment is actually the final step of our 3, not the first!

Here is a summary of the 3 steps, with more details on each later on in this guide:

Step 1 – Developing a franchise blueprint

This step is all about helping you properly answer the 6 key questions we asked in the first chapter about whether or not franchising is right for your business. However, it is also about how you can create a road map to help you go from deciding it is right for you to actually launching an effective franchise... and keep growing it for many years to come.

The objective of a Franchise Business Blueprint is to assist you in deciding in what way franchising can present a viable opportunity for developing your business and, at the same time, provide a clear framework for that development at optimum cost.

This step considers:

- how much you will charge for your franchise
- how much franchisees can make on their investment
- how much they will pay as an ongoing fee

- what resources you have in your business in terms of skills, time and finance
- what you can do in-house, and what you may need to outsource

Step 2 – Setting up your franchising model

Once a comprehensive roadmap is in place, and both short- and long-term strategies have been set out, you should now get into the nitty-gritty of how the model will actually work. You should look at all the financial, administrative and legal frameworks you need to have in place to actually build a network, including:

- What will your contracts and franchise agreements look like?
- How will you make sure your franchisees receive the training, support, and even stock (if relevant) that they need?
- What will you include in your franchise operating manuals?
- Building your head office infrastructure
- How will you set your franchisee territories, and make sure each franchisee has the same potential as others?
- What will your franchisee recruitment process look like?

Step 3 – Franchisee Recruitment

As I said, it is all too tempting to skip to this step and start getting people signed up. However, only when the foundations are in place can you seriously consider recruiting franchisees. You will need to carefully think about:

- the profile of franchisees you want and need
- how and where to find your prospective franchisees
- a comprehensive strategy to not only attract franchisees, but also vet them, guide them through the recruitment process, and overcome any obstacles preventing the right people from working with you

History is littered with franchises who have failed, or squandered small fortunes, because they do not have the correct strategies in place. So, how can you be sure yours will be a franchise built to last?

The 8 most common mistakes new franchisors make:

- Franchising a concept before it is proven, no matter how good it is

- Franchising to try to get their business out of financial difficulty
- Treating franchisees the same as employees, instead of as partners and stakeholders
- Treating their franchise as just an extension of their existing business
- Focusing on recruitment before the right structures and framework are in place
- Underinvesting finances and not having a business plan (franchise blueprint)
- Attracting franchisees without the right profile, attitude and funding
- Not having the right skills and expertise on their franchising team
- Being under-resourced on time, skills or cash



Chapter Three

PLAN, PLAN, PLAN!

You can't just start calling yourself a franchise tomorrow and expect to get results. Like any growth strategy, it takes time, focus and planning. There's simply no shortcut when it comes to this stage, and having a comprehensive plan in place right from the beginning is probably the single most important step you can take in creating a successful franchise.

You need a solid blueprint for success – a definitive analysis of where you are now, where you need to be, and every milestone along the way. It's all about taking the answers you gave in to those essential questions at the start of this guide, and working out how to use them to create an actual working franchise.

You will need to look at everything from the strategic level right down to the granular and formulate all of your short, medium and long-term goals. This will include every possible aspect of your new franchise from the resources you have in place, or need, right through to how you might supply and support your new franchisees. It will also include all of the legal and financial decisions you will need to make, such as how much to charge for your franchise, and how to make sure your legal agreements are fair and equitable to both parties.

While there are tried and tested methods in place for achieving all of this, the exact processes will be different for every business, so please don't think you can simply download a pro forma and put your franchise name at the top of it. You need to work with experts in the field to build a franchise blueprint which will act as a solid foundation for everything you want to achieve in the next 1,5,10 or even 25 years.

What's makes for an effective franchise blueprint?

A good franchise blueprint is a highly detailed study which should include the following as a minimum:

- How to calculate the right up front franchise fee to ensure you cover all of the costs incurred in finding, recruiting, training and supporting your franchisees
- What is the right level of support for your franchisees, who will provide it and when
- How to set your Management Services Fees to work for both parties
- Comprehensive financial forecasting for franchisees

- Comprehensive financial forecasting for you as the franchisor
- Funding options for franchisees, and if required, for you as franchisor
- An assessment of your existing, and required resources
- An analysis of the skills you have in place, or will need
- An assessment of professional services required
- A development plan of your franchise model, including what is required, and who will do what, with timescales



Chapter Four

BUILDING YOUR FRANCHISING TEAM

If you're even considering franchising, you must already have built a successful business, but do you have all the skills and experience necessary for what will be a whole new venture separate from your main brand? Even if you do, can you honestly pull enough time away from your main role to make it work, or do you need to have new people in place?

Likewise, even if you do have excellent human resources in place now, how will they hold up when you start to grow? Can you handle all the support and administration required for 10, 50, 100 franchisees?

Before you even get to that point, do you have people in place with the wide variety of skills needed to attract and recruit the right kind of franchisees?

You might have an incredibly efficient business model which has been successful enough for you to start franchising, but it is very rare for anyone to have all these skills and resources in place before they start their journey.

So, there are two solutions you will need to consider at this point, depending on what your franchise blueprint suggests:

Hiring the right staff

Hiring full-time employees gives you the opportunity to build in-house expertise and knowledge within your organisation. This can be valuable for long-term projects and tasks that require deep integration with your business, such as franchising.

However, finding staff with the right expertise is not always easy, and committing to several full-time employees early in your franchising journey, especially before your model has been field-tested, can be a large and risky financial outlay. Not only that, but you will also need to commit to training and supervising your new staff, which pulls your time and energy away from your bigger goals.

Outsourcing

Outsourcing allows you access to specialised skills and expertise that may not be available in-house, or in the general work force. While hiring an expert will never come cheap,

outsourcing can still be more cost-effective because you can pay for services on a project-by-project, or as-needed basis, avoiding the overhead costs and contractual commitments of full-time employees.

For example, at The Franchising Centre, we can create an entirely bespoke package for you which can offer as much, or as little expert help as you need, when you need it. We have an expert for every occasion with specialist consultants who can provide everything from a purely advisory role, right through to an entire team who can act as a fully-outsourced franchise division for your business.

Our franchise consultants are hand-picked from the best the world of franchising has to offer, but we can also bring you a range of professionals who are highly skilled in anything from copywriting and graphic design, through to full-scale digital marketing strategies, website builds and accounting solutions.

Outsourcing to a brand like ours means you can pick and choose the level of service and staffing you need on an ongoing basis, depending on the exact needs of your individual brand.



Chapter Five

FRANCHISE DEVELOPMENT

So you now have your franchising team planned. Time to get into the detail of the systemisation and documentation that will be needed in your franchise operation.

You will need to develop:

- A franchise operating manual, covering all aspects of running your business, and being a franchisee
- A franchise agreement covering all of the obligations of the franchisee, and also of you as the franchisor
- A full training and support structure, from initial training, launch, and ongoing help and support
- A full suite of documentation covering all aspects of your business operations, from contracts of employment, service level agreements, supplier terms, and franchisee sign up systems
- A franchisee recruitment marketing schedule
- A franchisee recruitment system, including follow up processes and meeting schedules



Chapter Six

FRANCHISE RECRUITMENT

Here it is at last! The ultimate goal of any new franchise: actually signing up new partners and sending them out into the world to help grow your brand.

However, just like any other aspect of business, it's never as simple as just popping a sign up outside your business saying "Franchisees Wanted" and then sitting back and waiting for the magic to happen. You know it doesn't work elsewhere in business, and franchising is no different. Even if you have done all the groundwork right, there is still a great deal that needs to go into making this happen. You need to have both the marketing to get word out there, and make sure you have the structure and systems in place to turn leads into franchisees.

Standing out from the crowd isn't easy, but that won't be news to you. After all, you will have already made your mark as a business, and been successful enough at distinguishing yourself in a crowded marketplace to go on to franchising in the first place. However, it's not uncommon for businesses with even the most savvy of marketing and recruitment teams to struggle to find their first franchisees.

Creating your franchise story

Even with the possibility of tapping into the greatest product or service in the world on offer, your potential franchisees are facing a huge decision when they choose who to partner with. After all, they are thinking about a huge investment and risk – not just in terms of money, but also in terms of their entire future.

This is why you really have to put the work into developing your message. Your story, not just as a brand, but as a franchise, is what will sell your concept to potential franchisees more than anything else. You also need to think very carefully about your franchisees' story, too. You need to explain how your franchise fits into their life goals and mission, inspire confidence and trust, and answer the simple question:

"What's in it for me?"

Quality vs Quantity

It's all too easy to think of franchisee recruitment as a numbers game. The more the better, right?

In our experience, however, there is a lot more to successful franchisee recruitment than getting as many leads as possible, as soon as possible. There's no point having all those leads if none of them are serious prospects, or go on to become unreliable franchisees. Having a database of 1000s of enquiries may look great on the surface, but if those leads never go anywhere, they're only so much dead weight, and a pointless drain on your time and resources.

By understanding the whole process, from creating the right kind of franchise story for your opportunity, to qualifying prospects and taking them through to signing an agreement, you can build a pipeline that actually gets results.

This is another area where you should seriously consider outsourcing some, or all, of your franchise recruitment processes to outside experts. It will be well worth your time reaching out to experienced consultants who have a true understanding of how the relationship between franchisors and franchisees should work. This is, in our experience, by far one of the most underestimated and least understood parts of successful franchising.



Chapter Seven

WHERE AND HOW TO FIND OUT MORE ABOUT FRANCHISING

I sincerely hope that this guide has been useful to you.

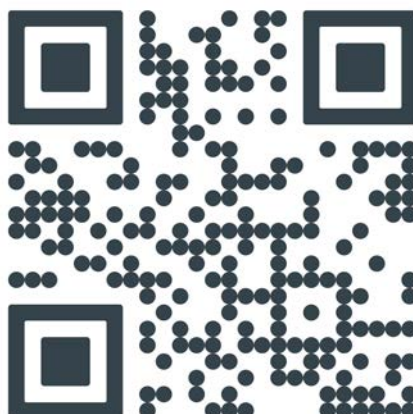
Franchising is a huge topic, and there sure is a lot to think about before adopting it as a growth model. However, it is absolutely accessible to almost any kind of business, regardless of your industry, experience or background, and there is a great deal of help available out there to get you started.

For example, a great place to begin is the British Franchise Association (bfa). They are a fantastic resource for learning more about anything to do with franchising and hold a number of different events throughout the year.

I also recommend doing a little research of your own. Take a good look at what other franchises are doing, both those in your industry, and in others. It will give you a good idea of the competition you are up against, as well as help you understand the kind of standards expected.

You are also more than welcome to contact us here at The Franchising Centre with any and all questions you have about franchising. There are lots of ways we can help you fulfil your potential as a franchise. Wherever you are on your franchising journey, we are always happy to offer a bit of help and advice.

If you're looking to grow your business through franchising, [click here](#) or scan the QR code below:



Chapter Eight

GLOSSARY OF FRANCHISING

Discovery Days

This is part of the process when you will meet with the franchisor and start talking more in depth about the opportunity and what it means for you. Exactly how this works depends on the franchise, but usually you will have the chance to visit them at their head office or flagship outlet so you can see how their operations work and start asking the more complicated questions about where you fit in.

Franchise

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. This will usually also include access to their branding, training in their business model and how to deliver the product/service, and an ongoing business relationship between the two parties.

Franchisor

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

Franchisee

This is the group, or individual, that has purchased the licence from the Franchisor. May also be referred to as the franchise owner, or franchise partner.

Franchise Agreement

Like a contract, this is the legal agreement made between franchisor and franchisee which determines the terms of their new partnership and the exact nature of their ongoing business relationship.

Franchise Consultant

Franchise Consultants are industry professionals who act as intermediaries between the franchisor and their potential franchisees. Their exact jobs can vary, but they are usually responsible for ensuring that anyone interested in a franchise receives the advice and guidance they need to make an informed decision. While they may be on a retainer or finders fee from the franchisor, they are usually independent professionals.

Franchise Licence Fee

This is the fee paid by a new franchisee to become part of the franchise, and is usually paid in full at the time of signing the franchise agreement.

Franchise Term

The length of the agreement made between the franchisor and franchisee. This is typically around 5 years, and will usually come with an option to extend based on both parties being satisfied with continuing to work together.

Initial Investment

The upfront fee required to invest in the franchise. Usually includes just the franchise licence fee, but may involve down payments on other aspects of the franchise package.

Total Investment

The total amount required to get your new business up and running with the franchise. Will include the franchise licence fee and any other down payments, but will also include other costs such as setting up and outfitting premises, or purchasing equipment/vehicles etc.

Working Capital

The recommended amount of extra money you should have available to fund your new business while it gets off the ground and becomes profitable.

Minimum Personal Investment

The amount of cash funds you will need to put in yourself, as opposed to any money borrowed through various lending schemes, such as the government's Start-up loan.

Management Service Fee (also sometimes known as Royalty Fee)

A regular payment you make to the franchisor to maintain your ongoing business relationship. Terms vary, but this will typically be a percentage of your gross turnover over a month or year.

National Marketing Levy

A smaller regular payment which represents your contribution to the franchises ongoing marketing efforts and promotion of the brand. Usually a small percentage of your gross turnover over a month or year.

Master Franchise

Rather than taking on one territory and running it as their own business, Master franchisees take responsibility for a franchise at regional and national level, and become responsible for recruiting and managing their own sub-franchisees within that area. This is most common with brands based overseas who want to recruit investors in a new country.

Multi-unit Franchise

The opportunity to own multiple locations/outlets of a franchise brand. Some people may choose to come in at this level and launch multiple sites, or others may be successful single-unit franchisees who want to expand into further territories.

Operations Manual

This should be a comprehensive guide to every aspect of running a franchise, including the day-to-day operations of the business and how to function within the larger franchise network.

Renewal

When the initial term of the franchise agreement comes to an end, it can be renewed and extended if both parties are happy to continue working together.

Resale

Established franchise locations may come up for sale allowing new franchisees to purchase a business which is already up and running. This usually occurs when a franchisee decides not to renew their agreement, due to retirement or other life changes.

Exclusive Territory

This is a pre-defined area in which only one franchisee can operate with exclusive rights to sell the products or services of the franchisor in that area. This is the most common arrangement in most franchise agreements.

Non-Exclusive Territory

Some franchise business models favour more than one franchisee operating in an area, or having overlapping areas in their territories.