



# What Franchise

## 10 Steps to Becoming a Successful Franchisee



# STEP 1

## Evaluate your strengths and weaknesses

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Have you got what it takes to be your own boss?

Even though you'll be 'in business for yourself, but not by yourself' because of the proven business model and support provided by the franchisor, you'll still need to be disciplined, organised and tenacious to make your franchise a success.

An ability to follow the franchisor's proven system is a must as well.

The support of your family is also important, as you may have to work long hours in the early days to get your business off the ground.

A franchisor's initial and ongoing training programme can help if you lack experience in areas such as sales, marketing and managing staff.

### Your Checklist

- Compile a list of your strengths and weaknesses.*
- Ensure the franchisor's training covers any areas in which you're inexperienced.*
- Talk to your family about the commitment you'll be taking on.*

# STEP 2

## Do your own initial research into the franchises on your shortlist

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Industry websites, magazines and the numerous franchise exhibitions and standalone seminars that take place in the UK are all reliable sources of independent information and advice.

### Your Checklist

- Visit [www.what-franchise.com](http://www.what-franchise.com) and take advantage of the expert advice and brand profiles available.
- Subscribe to *What Franchise* and *Making Money* magazines to get a feel for what's on offer.
- Find out about national and regional exhibitions and seminars. Are any franchises you're interested in exhibiting at these events?

# STEP 3

## Meet the franchisor

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This will allow you to get to know the franchisor and vice versa.

While the franchisor will be evaluating you as a prospective franchisee, to aid your research, prepare a list of questions to ask about the business in advance.

Areas for discussion could include average franchisee earnings, funding your business, the type and level of support on offer and franchisee failure rates.

### Your Checklist

- Find out as much as possible about the franchisor in advance of the meeting.*
- Compile a list of questions to help you evaluate whether the franchise is right for you.*
- Take time to evaluate the information you've gathered.*

# STEP 4

## Speak to as many franchisees as possible

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Ask for contact details of every franchisee in the franchisor's network.

Talk to as many as you can about whether their expectations of the business have been met, their day-to-day role and whether, knowing what they know now, they would still invest in the business.

If a franchisor is unable or unwilling to supply a full list of its franchisees, you may want to think twice about investing in the business.

### Your Checklist

- Obtain a full list of a franchisor's franchisees.*
- Call or email a selection to find out about the business, warts and all.*
- Visit some franchisees if possible. This will give you first-hand experience of the business in action.*

# STEP 5

## Have an accountant scrutinise the financial information provided by a franchisor

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Becoming a franchisee requires a significant investment of your time and money, which is why it's crucial to have the financial information supplied by the franchisor scrutinised by an experienced accountant.

You must be clear about what any potential earnings figures are based on in order to know how soon you can expect a return on your investment.

Are they average earnings of franchisees' operating in similar trading territories to the one you're considering or simply projections illustrating possible income levels based on a franchisor's calculations?

### Your Checklist

- Get the franchisor's financial information checked by a qualified accountant.*
- Decide whether the figures are realistic.*
- Will the franchise give you the return on investment you require?*

# STEP 6

## Get the franchise agreement checked by a specialist franchise lawyer

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A franchise agreement is a legal, binding contract between a franchisor and franchisee, so don't be tempted to ask the solicitor who did your house conveyancing to check it over or - worse still - not seek any legal advice before you sign on the dotted line.

While a franchise agreement is usually standard across a franchisor's network of franchisees, an experienced franchise lawyer will be able to point out any unusual, unfair or unworkable provisions in the document, which could save you a significant amount of money and stress in the long run.

### Your Checklist

- Pay a specialist franchise lawyer to check the franchise agreement. It will be money well spent.*
- Are there any unusual provisions in the document?*
- Make sure you're 100 per cent happy with the agreement before you sign it.*

# STEP 7

## Produce a business plan

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A franchisor and/or accountant can assist with this, but make sure you know the numbers.

A business plan isn't just for the purposes of raising finance. It can also indicate how your franchise is progressing compared to the goals you've set for it, as well as highlighting any potential danger signs in advance.

As such, it should be reviewed on a regular basis.

### Your Checklist

- Gather as much financial information about the franchise and market you will be operating in.*
- Can the franchisor or your accountant help you to compile the plan?*
- Revisit and review your business plan on a regular basis.*

# STEP 8

## Ensure you have sufficient funds to purchase and fund the franchise until it starts making a profit

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Buying a franchise isn't just about the initial investment figure - you'll also need to budget for the franchisor's management service fee and a contribution to a central advertising and marketing fund, which are commonly calculated as a percentage of a franchisee's gross income.

You'll also need to ensure you have enough working capital to run the business until it begins to make a profit.

### Your Checklist

- Get the full cost of the franchise confirmed, including ongoing fees.*
- Make provision for working capital, which may be required in the early days of running your franchise.*
- Many new businesses fail because they're underfunded - don't be one of them.*

# STEP 9

## If necessary, approach a bank for funding

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NatWest, Lloyds, HSBC and Metro Bank have specialist franchise divisions, so have an in-depth knowledge of the industry.

Before you talk to a bank about borrowing money to start your franchise, you need to establish how much funding you require.

For an established franchise, most banks will lend up to 70 per cent of the start-up costs. For new franchises, the figure is around 50 per cent. However, they will require security - you may be able to put your home up as collateral for the loan, for example.

An overdraft facility could also be discussed with your bank, which can provide flexible financial support.

### Your Checklist

- Decide how much funding you require.*
- Make contact with the franchise divisions of the high street banks above.*
- Talk to the banks about other financial products that may be available.*

# STEP 10

## Decision time

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You've done your due diligence, so now it's time to make your final decision based on your financial resources, skills, experience and business aspirations.

While becoming a franchisee may seem daunting, according to the British Franchise Association/NatWest Franchise Survey 2015, 97 per cent of franchisee owned businesses are profitable.

Many of the people we've spoken to say it's the best decision they ever made and wished they had become franchisees sooner.

### Your Checklist

- Analyse all the information you've gathered about the franchise.*
- Will it give you the return on investment and lifestyle you desire?*
- Don't be rushed into making a decision about which franchise to invest in.*