

COULD YOU GROW YOUR BUSINESS BY FRANCHISING?

“A Simple Self-Assessment You Can Do in Two Minutes”

1 A business opportunity for you?

Have you ever wondered whether it would be worth finding out more about franchising in case there was something in it that might help your business? You are not alone if you have. There are over 600 franchise chains in the UK and the number is growing steadily. Each chain has multiple outlets so overall the numbers multiply up. A recent survey of people who were interested in buying franchises showed that they couldn't find the kind of franchise they wanted, so didn't go ahead. Why all the interest?

Well, for the franchisee owning a franchise is a much less risky way of starting your own business. Official statistics show that where 80% of businesses have ceased to exist within 5 years, over 75% of franchises keep going. For the franchisor, franchising can be a very effective way to grow your business. Although very successful in places like the USA, Canada and Australia, until relatively recently it has been less understood and less used in the UK.

But what exactly is franchising? A Franchise is a concession by which you grant the exclusive right to other parties to sell your products and services in specific areas. In other words other people pay for the right to copy your business somewhere you currently don't operate. They replicate your “winning formula” and you get a share of their profits. People who get in early and franchise their own businesses often wipe out their competitors.

Is your business a suitable candidate to franchise? This simple self-assessment you can do in two minutes that enables you to answer that question.

2 Your assessment

Read and answer each of the following questions in turn.

* Circle your answer.

Question	Answer*
1. Do you own your own business, or own the business in conjunction with a small number of other individuals?	Yes/No
2. Have you been running the business for at least three years?	Yes/No
3. Have you developed your own products or services so that you provide them in your own particular way?	Yes/No
4. Is the business running well and making a reasonable profit? (Low margin businesses are harder to franchise because margin is shared between franchisor and franchisee).	Yes/No
5. Does the delivery of your products or services currently rely upon know-how that you have in your head, or that is held in the heads of a small number of people who work with you?	Yes/No
6. Are you currently limited by the distance you can travel to provide your products and services?	Yes/No
7. Is there evidence to suggest that there would be demand for your products and services if you had a “branches” or “outlets” elsewhere?	Yes/No
8. Is there a part of your business that could be replicated and work by itself? (For example, could the sales or service elements be separated out?)	Yes/No
9. Are you independent of any distribution or supply agreements that would prevent you from subcontracting out or licensing what you do?	Yes/No
10. Are you keen to grow your business but reluctant to make a heavy financial investment by yourself?	Yes/No



Business
Performance
Accelerators

PO Box 354, ST ALBANS, Hertfordshire, AL2 3YZ, England UK.

Tel: +44 (0) 1923 892992 Fax: +44 (0) 1923 892993

Email: info@facture.co.uk Web: www.facture.co.uk

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3 Evaluating your results

The more times you circled “Yes” the more likely it is that your business is suitable for franchising. If you recorded “Yes” three times or less you probably have considerable work to do to make your business franchisable.

If you recorded “Yes” seven times or more it may be worth doing a more detailed evaluation. Whatever your score we are very happy to discuss your options with you. Even if you decide you don’t want to franchise your business you have some other interesting options. You might be interested to discover that if you apply franchising techniques to your business you could benefit in lots of other ways. For example, you can improve the saleability of your existing business by making it less dependent on you and your availability, another benefit of these franchising techniques is a significant increase in productivity.

4 The power of franchising – a short true story

How do you choose where to buy things? Perhaps you can use your own experience to create “pull” to make others select your business. But, things are not always as simple as they seem...

When I was at school I had a Saturday job at a general stores owned by my uncle and aunt. The store was located by a main road miles from the nearest supermarket.

The store was very busy all day long. It sold everything from groceries to garden plants. Many of the customers were regulars who lived nearby. There was also lots of passing trade because it was easy to pull up and park outside.

Nearby, was a small hardly-used grocery shop.

One day a sales representative from one of the store’s wholesalers called by. The rep’ told my uncle that, in order to face competition from supermarkets, his company was switching from being a wholesaler to become a franchisor for a chain of small stores. He explained that his firm was creating a new brand that would be heavily advertised. They would have lots of bargain offers. They would provide their franchisees with new shop-fronts, marketing, goods at highly competitive prices and an exclusive agreement to trade in their own area. He asked my uncle and aunt to become franchisees. He said their business would grow.

They liked a lot of what they heard but were uncomfortable about some loss of their freedom.

Eventually they decided that they wouldn’t sign up for a franchise. They reasoned that they had a thriving business with loyal customers, lots of passing trade and little need for further promotions. They could keep on pulling in the customers as before.

A few weeks later they were surprised to discover that the nearby little grocery shop had become a franchisee. Then there were leaflet drops and adverts for the new franchise chain in the local press and on TV.

Initially, nothing seemed to change. Then it became noticeable that some of the regulars were visiting the franchise store – “just for the special offers” they would say. Also, more cars were stopping outside the franchise store than when it was just a family shop.

By the time my uncle and aunt retired some years later the franchise store was the biggest in the area. They had completely underestimated the pulling power of a franchise chain against a small family business.

The franchisor-franchisee combination is a winner. *“If you can’t beat ‘em – join ‘em.”*

Carl French

5 What to do now

If you’d like to explore the ideas further without obligation then **just call 01923 892992** and ask to speak to a franchising business advisor.