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Being a Master Licence Holder

What is Expected of You?

1. The ability and financial resources to adopt a franchised business system and adapt it to fit a specific, often foreign market, without changing the fundamental structure of the business, the company philosophy, ethics and operational practices and standards previously built and implemented by the franchisor in the “home territory” - ie. The country of origin.
2. You will be expected to pay the master franchise fee and all your own legal costs. Additionally, although training will be provided by the franchisor as part of the master franchise fee, you will normally be expected to pay for your own travel and accommodation.
3. If a pilot operation is involved, you will need sufficient capital to build/commission a “flagship” operation and to operate this outlet for possibly up to one year before the first sub-franchised unit is opened. An alternative source of income may therefore, be required, while the pilot store builds clientele and starts to generate a steady cashflow.

What You Should Expect of Yourself!

1. You should have managerial experience and the ability to effectively and efficiently manage all resources - time, money, manpower.
2. You should expect to take on a great deal of responsibility, as you will become the pivotal point of contact within the system. You will be responsible to both the franchisor and your own franchisees. You must be a people person as part of your responsibilities will be the interviewing, appointing and training of franchisees and their staff.
3. Be prepared to take on a 24 hour a day/7 day a week involvement initially until the system is built in your territory. Once a number of units are in operation, you will, no doubt, have appointed your own staff to assist in the management of the business but in the early days, you will probably be undertaking all the necessary tasks yourself. The upside of this is that you will learn, first-hand, every aspect of the business and develop your own systems of control and development as you progress.

Choosing a Master Licence - Where to start!

1. Pick a concept which is simple, has longevity and meets an established consumer demand. In other words do not choose a brand new concept which has not yet been tested in the destination market and avoid concepts which are “trendy” or only appeal to a specific target market due to cost, production and delivery timeframes, taste, cultural needs or preferences.
2. Choose a system which is well organised, well-documented and involves total quality management from the head office to the smallest outlet. A franchised business relies heavily on systems - this is what the Master Franchisee and the Sub-Franchisees pay for. The fact that the business has a specific format which incorporates tried and tested systems is the reason why franchise operators are so successful. However, a system can be good or bad. Ensure that the systems you are buying into are effective and that there is provision for constant monitoring and updating.

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3. Always stay well within your own pre-determined budget which should make allowance for the licence fee (the purchase price of the Master Licence) and the initial capital requirement.
4. Be prepared to acquire new knowledge and skills on an ongoing basis. Your own work experience and the training provided by the franchisor are only the foundations on which to build the franchised business. You will be expected to fill in the gaps which will inevitably exist - a common example would be the commercial property market. You have to make contact with all the relevant professionals, organisations, landlords, agents, etc. You need to become familiar with the bidding, negotiating and acquisition procedures.

The Master Licence Agreement - What to Look For!

The agreement will effectively be a contract between the franchisor and the master licensee. These contracts are normally much more simple and concise than the standard sub-franchise agreement as the master licensee is required to adopt the terms of the sub-franchise agreement in addition to any terms dictated by the master franchise contract.

The terms relating to price, period of validity and performance targets are normally negotiable but it is important to insist on clearly defined timeframes, especially if the timeframe relates to a condition imposed on the franchisor to provide a service of any kind to the master franchisee. For example, the responsibility of providing a sub-franchise agreement will lie with the franchisor. The master Franchisee should insist on a deadline for the receipt of this document otherwise he cannot know when he may begin to recruit franchisees. Ambiguous timeframes and unreasonable delays may result in loss of both time and money. A qualified franchise lawyer should always review the draft licence before both parties agree on a signing date.

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