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What to look for when buying a franchise system

- a proven business system
- an Operations Manual (the system)
- a “pilot” running profitably in the same format as that offered as a franchise
- a Franchise Agreement
- a Training Course
- a Training Manual
- a support team for training and supporting each franchisee
- a royalty payment or mark-up on goods supplied
- a Trading Mark and style that the franchisee is allowed to use under licence by the franchisor
- is it what you want?!

According to the British Franchise Association Survey 2000, there are 642 business format franchises available in the UK.

This number of opportunities can cause concern in the mind of someone looking for their first franchise. What to look at? Can the Franchisor be trusted? Is this a secure company? Can I do it? Is this risk worth it?

We asked Derrick Simpson, Franchise Sales Manager at Kall Kwik Printing (UK) Limited, the leading print, copy and design Franchise, to address these issues and give some guidance.

BUYING A FRANCHISE - WHAT TO LOOK FOR

Being your own boss can be very stimulating and financially rewarding but before signing on the dotted line, it is important to have thoroughly researched the opportunities and established this industry is for you. Once you have purchased a franchise it is not usually a simple process to change to another in the same way as one can, in theory, change employment.

Firstly, decide what type of business suits you. Look for business sectors that may be attractive to you and seek advice from the British Franchise Association. As founder members of the BFA, Kall Kwik believe prospective franchisees should protect themselves by only working with members of the BFA.

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You don't need experience in the franchisor's particular business sector to be successful. Franchisors are more interested in your personal and professional qualities as well as your skill set, rather than a thorough grounding in their industry.

Kall Kwik UK seek franchisees, or Centre Owners, as they are called within Kall Kwik, with drive and enthusiasm who have the ability to focus fully on the business.

The skills and experience required are:

- Sales orientation
- The ability to build business relationships
- People management skills
- Commercially aware with an understanding of business finance
- Possessing the ability to delegate day to day responsibility for running the business to a manager

It is important to be comfortable with the day to day activities of the business into which you are buying. If you are not into food and restaurants then avoid this entire sector, if you are not keen on selling, the sales process and developing client relationships, then Kall Kwik is not for you.

A Kall Kwik Centre Owner takes total responsibility for their Centre and within this their key tasks are:

- Leading and motivating a self-sufficient production team
- Generating business to business sales
- Getting into the local business community
- Building close relationships with key clients
- Understanding their needs and offering solutions
- Taking control of the finances of the Centre
- Financial controls
- Future investments
- Business planning

In selecting a franchise opportunity you must match the potential returns with your financial needs and your financial assets. To a certain extent the more a franchise costs to set up the greater the potential returns. Be careful however, always do your homework and ask the franchisor for detailed back up for their financial projections.

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With Kall Kwik the minimum liquid capital injection that is required is £45,000. This contributes to the total funding requirement of between £135,000 and £200,000. The additional funding is available through the major banks.

Kall Kwik prepare a comprehensive proposal on your behalf and presents this to the major banks with whom we have a close working relationship.

The returns and your investment are, of course, vital. The average net profit that an established Kall Kwik Centre should generate is between 20% and 25%, which equates to approximately £80,000 to £100,000 for a Centre on the average turnover of £390,000. The final returns possible by an individual Kall Kwik Centre Owner are really only limited by their ability, commitment and on going desire to build the business by following the Kall Kwik system.

Kall Kwik has a system that works, but it is not a soft option. They are very demanding but substantial rewards both in cash and “lifestyle” can be made by the right people who follow the system.

There are 180 Kall Kwik Centres operating in the UK generating annual network sales of £71 million.

Adrian and Ursula George, Kall Kwik Centre Owners in Aberdeen, comment “The rewards are there if you work hard and accept the available support.”

In Peterborough, Stephen and Lynette Loasby say, “Franchising is a partnership. You have to trust and respect the franchisor. You will be working with them for many years and you will rely on them many times to provide advice.”

A structured set up, launch and consistent ongoing support is vital if you are to be able to fully exploit the opportunities available to expand and grow your business. When deciding on an opportunity question thoroughly the ongoing support available through the franchisor and speak with current franchisees to confirm the facts.

Kall Kwik has a vast range of support services. All of the systems, tools, marketing and training programmes are supplied as part of the ongoing support package.

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The majority of the 60 employees at Kall Kwik are involved in Centre support, with 35% of these - some based regionally, working directly with Centre Owners. Post launch support is delivered through a highly focused business planning process, monitored and driven by a field based operations team.

The Centralised Direct Marketing processes have won awards for their effectiveness and are backed up by a telesales operation.

The Kall Kwik system, operating procedures, advice on technical, marketing, finance, people management and all other aspects of successfully operating a Kall Kwik Centre, are available on the Kall Kwik Intranet site. In-Site has 6,000 pages of live In-Site information available to Centre Owners 24 hours a day, 365 days per year.

To help sustain and develop sales, Kall Kwik has a National Accounts Department that negotiates contracts with national clients to be delivered on a local basis by individual Kall Kwik Centre Owners.

“Whilst this has been fully in place for 18 months, we are seeking a substantial growth in National Accounts sales,” says Derrick Simpson. “We are targeting this area to deliver even greater results in the future.”

The recruitment and selection process for any franchisor should be carefully considered.

How easy is it to access the system and how much training is available to teach you about the market sector you are entering?

Kall Kwik operates a four-stage selection process to ensure only candidates most likely to succeed are selected. Applicants are rejected at each stage and from the 1200 - 1600 initial enquiries received, Kall Kwik will finally take on 25 Centre Owners each year.

The selection process included interviews, psychometric profiling and a sales presentation by the prospective Centre Owner. During the process Kall Kwik and the prospective Centre Owner will identify training needs which will be addressed, either prior to opening during the nine-week training programme or subsequently training on the 20 courses available through Kall Kwik’s Training Department.

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The final piece of advice that Kall Kwik give is to ensure that whichever BFA verified franchisor you go into business with, before making any final commitment you must take independent professional, financial and legal advice. Look at all the documentation and financial projections and discuss these with your advisors.

Franchising is an ideal way of going into business for yourself, but not by yourself. Any business venture is a risk but by choosing a BFA validated franchisor, such as Kall Kwik, and by thoroughly doing your homework, with good advice you are substantially minimising the risk.

BFA research shows that new franchised operations have a success rate of 92.5% compared with 40 - 50% for other small businesses. So Derrick Simpson's advice is to consider franchising before trying to set up in business on your own.

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