

Starting your own business as a franchise

Taking up a franchise can be a good way of going into business for yourself. There are however a number of areas you need to consider carefully before you commit to what should be a beneficial long term partnership between you and your franchisor. Whilst not exhaustive the following five points are important to look at before you go ahead.

1. Working for Yourself

Establishing your own franchised business is a big step to take. Often circumstances force the issue, for example if your employer is, to use the euphemism, “downsizing”. Alternatively you may seek the independence that being your own boss can give you, or simply wish to try something different, away from the corporate “rat race”.

Whatever the reason for your decision, you need to fully investigate your proposed franchise before going ahead, and also think carefully if self employment is right for you. What do you want to achieve from it for you and your family? Their support will be vital, particularly as they too will no longer benefit from the company car, paid holidays and regular hours, which employment may provide.

2. Tried & Tested

Franchising can reduce the risks involved in starting your own business. The key point is to work with a proven system. You should not be paying for the privilege of testing someone else’s new business idea. Most sound franchises have evolved from an established business, where the owners and management have developed a system that has worked successfully over a number of years. This should then have been the subject of a “pilot” operation to establish if it can be replicated. A detailed operations manual should have been developed to provide clear instructions for operating the business in a standardised way.

You will need to talk to as many existing franchisees of the system as possible, and visit a number of existing sites. Any sound franchisor will give you free choice from a list of all their outlets/offices of whom to approach. Existing franchisees should be more than happy to answer the questions you have. If a free choice is not available, or franchisees are reluctant to speak to you, ask yourself why?

3. Training & Support

One of the major reasons for selecting a franchise, as mentioned above, is to benefit from a tried and tested system. You must remember though that the best system in the world is of no help unless you are trained how to use it. Your discussions with existing franchisees will give you a good indication of how comprehensive the training programme is, and how well it prepares you for the reality of running a business.

Once your outlet has been launched, the franchisor should provide you with ongoing support to help you develop your business to its full potential. Find out what form this support will take, normally ongoing product and service development, and technical support would be included, along with a regular communication structure between franchisor and franchisee. In some systems the provision of business from national accounts is also a feature.

The role of the franchisor can be likened to the commander of a convoy of ships. Each vessel has its own captain and crew, but the commander has overall responsibility to assist and guide all the outlets in the system to move in the same direction and so benefit from being part of the group. If this support and guidance is not being provided, then your chances of success are reduced.

4. Professional Advice

Before you enter any binding contract you should take appropriate professional advice. A Franchise Agreement is no exception. It is important that you have the agreement fully explained to you before you sign it by a lawyer who specialises in franchising.

Any financial projections provided by your franchisor should be looked over by a qualified accountant; they will need to be tailored to your particular situation, and then incorporated into a comprehensive business plan - "failing to plan equals planning to fail".

You need to know where you want your business to go, so you can get there, whether you need to borrow money or not. The business plan is not just for the bank, if regularly reviewed it will help keep the business on track and assist you to maintain a focus on business strategy.

5. Think about it

Having carried out thorough research, take the time to reflect on the information you have obtained and decide whether Franchising is right for you. Don't be rushed into making a decision, if an opportunity looks too good to be true, it probably is. A sound franchisor will welcome you carrying out diligent research as it will give them an indication of how serious you are about franchising, and business in general. Remember they will also be evaluating you as a suitable business partner and will want you to succeed as much as you do.

As a starting point our brochure "Making Franchising Work for You" contains a comprehensive, but not exhaustive, list of the questions you need to ask your franchisor. Please telephone us on 0800 056 0181 quoting reference FRAJ1, or visit our website for more information.

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