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Expert panel

:: Events ::

We asked The Franchise Doctor's Peter Finlay, David Costello from Howarth Franchising, WSI's Ron McArthur and Robert Looker of Create how small companies can expand their business through franchising

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Peter Finlay, managing director, The

Franchise Doctors

There are hundreds of successful small to medium-sized enterprises (SMEs) that could be so much bigger and more successful if they expanded. But borrowing money, taking on staff, extra premises or vehicles and the potential upheaval to the existing business are all major risks that seem to deter many entrepreneurs. The idea of expansion is, after bankruptcy, their next greatest fear.

But it need not be. Franchising is growing rapidly as a route for expansion because it offers a way for successful SMEs to grow a business without speculatively investing substantial sums of money on having more salespeople on the staff or setting up extra branches across the country.

It is not just rapid expansion without raising finance that makes franchising attractive. Growth blocks competitors' expansion and gives the business greater buying power.

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Franchisees who have bought their own branch or sales territory tend to be far better motivated than employees who have been given a store or area, so less management time is spent upon them.

Franchising a business is theoretically straightforward but requires commitment. Having first made sure you own the trademark, the business must first have a franchising plan covering how many franchise areas there will be, how much to charge for them and what needs to be done to be successful in the long-term. There must be precisely defined systems for every aspect of running the business and manuals that specify and explain them, a training programme for franchisees, marketing and management support plans, and contracts.

To do all this successfully, most companies work with a franchising development expert. Look for one who charges a low initial fee and a performance-related payment once the franchise is running successfully rather than a large one-off fee.

There are potential pitfalls to avoid in running a franchised business. To be successful as a franchised business, you must maintain control of your brand and operations through tightly implemented franchise agreements. Also, be careful not to try to expand too quickly, and ensure you support franchisees well with marketing and systems to ensure that they are successful.

Too many companies fail to see how much support they will need to give their franchisees in order for the business to be a success. So many companies simply chase 'the money' (franchise fees) without supplying the franchisees with good support systems. It's important that they have excellent training, help and support with lead generation and marketing collateral.

Could your business be franchised? If it is profitable, offers good margins and you could quite easily train others to do the work and run it as well as you do, then your prospects are good. Visit <http://www.the-franchise-doctors.com/> for full details, email <mailto:info@the-franchise-doctors.com> or call 0870 4211 058

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David Costello, senior consultant, Howarth Franchising

Any business that can be operated through a branch network and which has plans to grow should at least consider franchising as one of the options. The advantages include using other people's money to open new outlets, which means you can both grow more quickly and are likely to have more highly motivated people running those outlets. There is also likely to be a reduction in head office and field management costs compared to running a company-owned network. Many businesses have even converted their existing branches to franchised outlets, and their existing managers to franchisees, with successful results.

Fortunately, the processes of turning a business into a franchise, and subsequently running it, are well established and documented. There are five main criteria when assessing whether a business is likely to be franchisable. These are: a proven and clearly documented system of operation; a business that is easily duplicated, whether regionally, nationally or internationally; a process that can be easily learned by carefully selected potential franchisees, with the necessary qualities, skills and attitudes; a business which can be profitable for both the franchisee and franchisor, which means higher margin retail and most service operations are most likely to be suitable; and an organisation that has, or can adapt to, a culture of mutual support and trust.

If that sounds like your business, then the next step is to take some expert advice from a franchise consultant who can help with preparing the franchise development plan and structuring the franchise. If everything looks good on paper, then the system should be piloted in its newly franchised form to iron out the wrinkles and complete the process of preparing the operations manual and franchise agreement.

It is only in the final part of this stage that it will be necessary to get lawyers involved to formalise all the procedures developed by your consultant. The time from first meeting your consultant to launching your fully-fledged franchise will vary from business to business but is unlikely to be less than three months and could be up to two years.



Ron McArthur, president, WSI International

The success of any organisation lies in knowing who the end-customers are and understanding their specific needs. The answer to even greater success is then to have a system that deploys the best available medium to supply goods and services to the organisation's franchisees and customers in an affordable, efficient and scalable manner. Underlying this path of success is the objective to deliver an ongoing return on investment for long-term satisfied and profitable customers and franchisees.

A company that has outlined its business model and long-term growth strategy to focus on a set of products and services for a defined target audience must then create and provide the support infrastructure needed for its franchisees to market effectively and expand. For example, it was always our company's intention to franchise its offering. We saw from the beginning a need for education and a system that would enable small business owners to benefit from the internet.

We are on the cusp of a great opportunity for small and medium-sized enterprises (SMEs) to realise the potential of the internet for their business, either for increasing revenue or reducing costs. The opportunity was so huge that in order to grow it as quickly as possible, franchising was clearly the best model. We didn't even consider building branch offices because it would have simply taken too long. Time was of the essence and even now timing is everything in this industry. The company's franchise model has certainly evolved to reflect the dynamic and changing needs of a growing SME market. The result has been an exponential growth in the WSI franchise network currently standing at over 1,500 offices in 87 countries.

A franchisor must never lose focus of continuously enhancing its franchise offering, gathering and sharing best practices within its network and staying in touch with end customers to always meet their needs. That has been WSI's key to success.



Robert Looker, franchise manager, Create

There are many definitions of franchising but in essence it is the granting of a company's rights to a third party to operate their business system using a common brand and common format for promoting, managing and administering the business.

If you decide that franchising or licensing could be a route to grow your business you need to consider the following issues:

- Your business format should be fairly simple, proven and capable of replication and have been trading successfully for at least 12 months
- The business must be financially secure and allow for the financial resources to build and support a franchise network
- There must be sufficient profit to provide a worthwhile income for both parties
- You need to be certain that there is a steady or growing demand for your product or service in the long term

All the necessary resources, such as staff, premises, infrastructure and finances, should be in place to build the network, train and provide ongoing support to franchisees.

These are just some of the considerations. The next step is to find out more about franchising by attending one of the franchise or business start-up shows. These are held each year throughout the UK and bring together franchisors, the BFA, banks, consultants, solicitors and the franchise publications. Introductory seminars are held during the exhibitions and franchising seminars are also run throughout the year by the British Franchise Association and the Create project.

Research the internet to gain as much information on other franchise businesses as possible. The Create website offers impartial advice through various online services

such as the Franchise Suitability Matrix and the Business Growth Model. They will help you to further assess your company's suitability for franchising.

The decision to franchise your business must not be taken lightly and you should seek expert and professional advice from recognised consultants, solicitors and accountants and, in particular, other franchisors before investing any money. A robust business plan is vital: it needs to address the issues of your expansion plan and how it will affect the business and all processes need to be well documented. Projections need to be drawn up ensuring your growth rates are not overestimated.

The next significant and critical step is to set up one or more pilot operations, which will:

- Show that the business is viable as a standalone operation
- Identify any problems and development needs
- Enable you to put an operations manual together
- Highlight the set up and operational costs involved

Preparation of a prospectus or marketing plan is essential to attract suitable franchisees and must give clear, concise and accurate information about your business to promote a strong company image. Recruiting the right people is critical: don't be tempted to lower your standards or this could lead to problems in the longer term. Popular recruitment methods include attending franchise exhibitions, advertising in national and regional press, specialist franchise magazines and industry sector press.

Create runs Prospective Franchisee and Franchisor Workshops in Hertfordshire throughout the year. If you are interested in attending please contact [mailto: create@examplas.com](mailto:create@examplas.com) or visit <http://www.createproject.org.uk/> or <http://www.thebfa.org/> for further information

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