

Choosing the right franchise for you

Franchising has never been so popular. There are hundreds of franchise brands to choose from. Most find it challenging to recruit high quality franchisees, who have the skills necessary to run a business, the funds to buy into a successful brand and the discipline to conform to the franchisor's established business model.

Most franchisees do not have a background in the industries that they eventually choose to operate in. Indeed, some franchisor's actively select new franchisees that do not have a background in their industry as it is easier to train them to follow the franchisor's existing business model.

The right franchise for you?

Franchises generally fall into one or two categories; a 'job franchise' in which the franchisees actually do the work that provides the service to the customers such as food outlets, or a 'management franchise' in which the franchisee is mainly organizing others to do this labour like a cleaning agency. It is important to appreciate the difference between the two categories because it will help you find a franchise to suit your set of skills.

In either case a top priority is the ability to market the business and attract new clients or customers. The success of the business largely depends on the franchisee's skills at promotion and selling.

What to look for in a franchise system?

In order to prevent franchisees within the same organisation competing for the same customer base, territorial limits are often stipulated within the franchise contract. Ideally, the franchisee will be provided with an exclusive territory in which to trade. Not all franchise systems provide such a guarantee, most notably food outlet franchises who may well operate two or more outlets within close proximity in the same town.

The importance of the brand?

One of the biggest reasons for franchisees choosing to go into franchising is the opportunity to operate a business under a recognized brand. It gives immediate customer awareness. Consider the difference between opening a sandwich shop in your local high street under the "subway" brand, compared with opening the same shop using the name "Joe's Sub-Sandwiches".

With an established brand customers immediately know what to expect in terms of product range, quality and price. Buying into a well known brand allows a franchisee to compete with the biggest names on the high street, despite being an owner managed business with little experience in the industry.

When looking at franchise systems consider how valuable the brand is. If it is a new or less well known brand then this should be taken into account when considering the monthly royalty fees and the initial buy-in price.

Getting good advice

It is in the franchisor's long term interest for you to succeed and so there is often continuing support at hand. But it is a fact that not every franchise is right for every person. It is important to find a franchise that works for you. One of the benefits of franchising is the ability to speak to existing franchisees about their experiences before you buy. Indeed it is an important part of the British Franchise Association's code of practice that the

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franchisor gives you a full list of their existing franchisees, at the outset, to allow you to contact them to ask questions about their experiences

Existing franchisees have already been through the set-up process and have first hand knowledge of the biggest challenges that you will face. If they are approached in the right way they are usually happy to talk about their experiences.

The franchise agreement

It is just as important to get good independent legal advice about the franchise contract. A solicitor will make sure you understand the obligations due to the franchisor. Many franchisees still do not take legal advice before they sign their franchise contract. They perhaps make the mistake of assuming that if the franchise seems great in practice then the fine detail in the franchise agreement is bound to be ok. These mistakes are often costly.

It is too late to discover what the franchise agreement actually says when, a few years down the line, the franchisor chooses to increase the cost of products or supplies to unreasonable levels, while you are prevented from turning to another supplier for a more competitive price. There are usually restrictions stipulated in a franchise contract with regards to the franchisee's choice of suppliers, maximum selling price and recruitment policy.

You may not have much bargaining power to be able to change the franchise contract. It is drafted in a standardised format used across the network, but this should not stop you from taking legal advice from an experienced franchising solicitor to ensure that you know what you are taking on.