



# TOP TEN TIPS FOR FRANCHISING YOUR BUSINESS

A HANDY GUIDE

# Top ten tips for franchising your business

Most business owners want to grow their business over time. If done correctly this can make your business more profitable and, if your ultimate intention is a sale, more attractive to a potential buyer. However, growing a business is not easy and can require significant funding. Franchising your business is one potential route to expansion which requires less capital investment.

According to the NatWest/British Franchise Association (bfa) Franchise Survey 2016, franchising in the UK contributed some £15.1 billion to the economy in 2015, an increase of 8% on 2011. In the UK there are currently about 44,200 franchisee outlets (up 14% since 2013) and an estimated 621,000 people are employed by franchising.

●● Growing a business is not easy and can **require significant funding**. Franchising your business is one potential route to expansion which requires **less capital investment**.

**Below are our top ten tips to consider before going down the franchising route:**

## 1. Should you franchise?

For franchising to work effectively you should have an existing, profitable business that has a proven financial track record and business model. This will be attractive to any potential franchisees and will demonstrate to them that it is worth their while buying into your business. You should also have a wide enough market and a unique selling point to make your business stand out from the competition to incentivise someone to want to become your franchisee, rather than setting up on their own.

## 2. Test the franchise

The bfa recommends testing your franchise in the form of a pilot operation lasting at least 12 months (or longer if your business is seasonal). This approach is advisable. You should run the pilot in different locations to test your business in more than one geographical area. Doing so will highlight any problems or inefficiencies and help you to hone your

strategy and system before committing to developing a franchise network. It will be easier to fix any issues with the franchise system centrally in the first instance, rather than having later to adjust the approach of several franchisees.

## 3. Refine your targets

Although your franchisees will be running your business in their respective locations, as their franchisor you will need to measure their performance and set clear targets for them to meet. This will give you a clear idea of how they are performing and will afford you leverage when it comes to negotiating any renewals or terminating the arrangement. This can be included expressly in the franchise agreement, and also in the operations manual (as discussed further below).

## 4. Find committed franchisees to start your franchise

Any potential franchisee should be passionate about your business and the idea of owning a profitable business. They should be hungry, motivated and committed to making a success of the franchise as there will likely be long unsociable hours (especially at the outset!).



## 5. Produce an operations manual

This is vital for a successful franchise. The operations manual is a powerful tool for ensuring quality and it is the document which assists the franchisees in the detailed replication of the system. It will allow you to implement and uphold quality standards across the network and to generally control and monitor performance of your franchisees. It will also be a useful way by which to introduce any updates or developments to the system, as discussed below.

## 6. Training & Support

The training and ongoing support you provide will be one of the most important factors in the success of your system. Franchisees will need a lot of time and support in order to learn your business, especially at the beginning. Running face-to-face seminars, holding quarterly meetings with the entire network and hosting online forums are good ways of supporting your franchisees. The costs and practicalities of doing so should be considered at an early stage.

## 7. Franchise package

You should develop a franchise package which will give your franchisee everything that they need to get on their feet. This will include the basics, such as operation manuals, stationary and marketing materials etc. Depending on the nature of your business, this may also include websites, broadband/telephone connections and assistance with store fit-outs. Again this is something which should be planned early with consideration given to costs.

## 8. Protect all intellectual property rights ("IPR")

Having a strong brand is imperative to a successful franchise. As a franchisor you should ensure that your brand is unique and well protected. You should protect your IPR by registering all trade marks, patents and domain names with the appropriate registration offices.

## 9. Continue to improve your business

Franchisees will expect to see that they are working for an innovative franchisor who leads by example. You should look for ways to improve the franchise system and support your franchisees to implement updates and developments. An evolving franchise system will keep morale strong and ensure that your franchise stays competitive.

## 10. Legal advice

It is important to take legal advice to franchise your business properly. This should be done from the outset in order to produce standard styles of your franchise agreement and operations manual and to deal with any IPR arrangements (as discussed above). If you are looking to become a member of the bfa, your franchise agreement will have to meet certain requirements so it is important that this is drafted by experienced franchise lawyers. It is also important to have a standard agreement which doesn't vary too much as, for example, different pricing for different franchisees in the network may present resentment issues in the future.

## Key contacts



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### Did you know?

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