

# **The Essential Guide to Becoming a Franchisee**



**Franchising can be a great option for people looking to get into the world of business. For many, franchising can appear to be an attractive option - the freedom and flexibility offered appeals to many people, ranging from new parents to experienced business execs. This guide looks at the essential information that those considering purchasing a franchise need to know - from the basics of franchising right through to signing your agreement and opening your new business.**



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# What is franchising?

In this section, we look at the basics of franchising, the opportunities it can offer, both the pros and cons of opening a franchise and whether franchising is an option you should consider.

## The basics

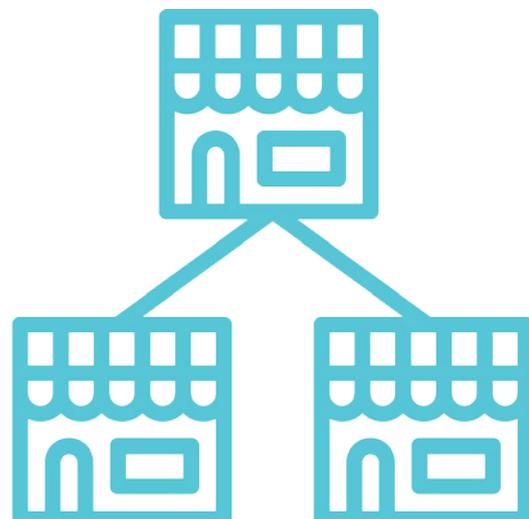
Franchising is the granting of a license by one person (the franchisor) to another (the franchisee), entitling them to own and operate their own business under the brand, systems and proven business model of the franchisor.

The franchisor also offers support and mentoring. In return, the franchisee will provide a specific product or service to an agreed standard set by the franchisor.

## Popular franchises

Most of us may regularly visit or use popular franchise businesses without even realising. These include:

- **Subway**
- **Supercuts**
- **CeX**
- **Cash Converters**
- **SportsXtra**
- **Boots Opticians**





## What kind of opportunities does franchising offer?

Opening a franchise can provide opportunities to both seasoned business people and to those with little experience of the corporate world due to full training being provided by the franchisor.

Franchising is often a lower risk option than starting a business from scratch, as many franchises possess brand recognition that would take years for a start up to establish. With this comes consumer trust.

As well as this, many people are attracted to the opportunity to be their own boss, work hours that suit them, have control over their business decisions and direct input into all aspects of their business. With franchising, you have both independence and stability.

## Is franchising for you?

Franchising is a brilliant business opportunity, but it's not the right decision for everyone. To be a successful franchisee, you need to know that you are the type of person who can:



**Take on the responsibilities of running your own business.**



**Adequately run a business to the franchisor's requirements and standards while following specific guidelines.**



**Interact well with lots of different people; your franchisor, other franchisees, your employees and your customers.**



**Carefully consider and understand legal documents that you will be required to sign.**



## Pros and Cons

There are many positives to starting a franchise, but as everything else in business, it is not completely without risk.

## Pros



**Brand awareness** - potential customers may already know about your brand and the services/products you offer before you even start.



**Operating system** - with a franchise, you have access to a complete, established business, including supplies, parts, products and manuals.



**Contacts** - when you begin a franchise you will have access to contacts in the industry that can help with supplying, marketing and recruitment.



**Marketing** - marketing is one of the biggest benefits franchising can offer. Instead of planning and creating your own campaigns from scratch, you will instead only have to concentrate on using and tailoring what is provided by the franchisor to meet your local needs.



**Support** - franchisors provide franchisees with extensive training in many areas of new business. Some franchisors can also provide field support specialists to help keep their franchisees on track, training them to become managers and leaders.



# Cons



**Lack of autonomy** - when you open a franchise, you sign an agreement to follow the rules laid out by the franchisor. If you are particularly creative or like to have complete control, you may struggle with this.



**Ownership** - when you decide to open a franchise, you won't actually own the franchise unit. You will be awarded a license to use the franchisor's brand name, operating system, equipment and uniforms.



**Reputation** - if the brand is called into disrepute through no fault of your own, this might affect the reputation of your business. Any failure of the franchisor has a knock on effect that affects the whole franchise network.







# Costs involved

The costs involved in setting up a franchise will depend on the type of franchise you choose and the way they operate. The franchisee usually pays a one-time franchise fee, plus a percentage of sales revenue as royalty.

The price of this will completely depend on the type of franchise, what they will provide you with and how long they have been franchising, among other aspects. Each potential franchisee will be given a breakdown of costs before they sign.

The cost will always include training but could include vehicles, premises, equipment etc. You may also need working capital to see you through the set up: some franchisors insist on this.

The cost of a franchise can vary wildly from **under £1,000** to almost **half a million pounds!** The price of a franchise will usually reflect its earning potential, gravitas of the brand and what the franchise agreement contains (e.g. property).



# Getting started

After considering both the pros and cons, here are some further areas of consideration before finally deciding if franchising is for you.

## Choosing a franchise

There are many different ways to find out about the franchises that are available to you. The British Franchise Association (bfa) provides details of members who are offering new franchise opportunities, as well as offering guidance and seminars on franchising.

The bfa are the voice of ethical franchising in the UK, the Trade Association for those who pass accreditation and educator to the many potential individuals and businesses that consider franchising.



**It's important**, when choosing a franchise, to consider the type of work you enjoy; if you're passionate, you're far more likely to work hard and succeed. Remember, starting a franchise is not something you can step out of easily - ensure that you research well and choose wisely.



You also need to ask yourself where you want to work, whether that's a shop, food outlet, classroom, at home or something different. This will have a big impact on the type of franchise you choose.

**New mothers** who prefer to work from home in the daytime are suited to franchises like leading swim school Puddle Ducks, where to start with they will be on the ground, teaching classes while the admin/management of the business can be completed at home. Once the business grows to a certain size, office rental is usually the next step.

### Completing your research

Once you have a franchise in mind, you should conduct further research to ensure the brand is the correct choice for you.

Look for:

- ✓ **Customer reviews online**
- ✓ **Historical news stories about the brand, good or bad**
- ✓ **Information on the competition**
- ✓ **Information on the company's performance over the past five years**
- ✓ **A current franchisee you can speak to about their experiences.**



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## What happens next?

Once you have done your research, it's time to approach your chosen potential franchisor(s). The first point of contact is usually through an online form or phone call in which they will ask you questions about your current situation and what area/location you are interested in.

Most franchisors will have a prospectus they can send you and probably an initial application form for you to return to them stating your interest. It is then usual for them to hold a Discovery Day which a number of potential franchisees might attend.

Here, the franchisor will tell you about the opportunity and give you the opportunity to ask any questions you have at this stage.

You may then be asked to come in for an interview/ to present your business plan based on a template that the franchisor will have provided. You should prepare answers for the **following questions:**

- ? **What are your goals?**
- ? **Do you have any experience in this industry?**
- ? **How do you expect to build a customer base?**
- ? **How will you finance this?**
- ? **Do you have experience in management and leadership?**
- ? **Why have you chosen us?**
- ? **Do you have an exit strategy?**



This is also a chance for you to voice your questions and concerns, and learn everything you need to know about your possible franchise. You should ask questions like:

- ? How much money does your average franchisee make?**
- ? Can I achieve my set goals with your business?**
- ? Do you help with financing?**
- ? Do you offer any financial incentives or deals?**
- ? Do our values and culture align?**
- ? Describe your training program.**
- ? How do your royalties and marketing fees work?**

Don't forget, you are interviewing your franchisor as much as they are interviewing you. Try and cover all your bases and don't be afraid to ask too many questions.

### **Signing the agreement**

Once you've done your research, assessed the situation thoroughly, and both you and the franchisor are happy to proceed; it's time to sign your franchise agreement.

The franchise agreement is a legal document between the franchisor and the franchisee. It's a legally binding and will explain how the franchisor expects you to operate the business. There is no standard agreement as it will depend on the nature of the business and what the franchisee expects from you.

Though each contract will be different, there are set provisions that should be outlined in each one:



**Location/territory**

**How you should be expected to run your operations**

**Training and ongoing support**

**Duration of license**

**Branding**

**Marketing information**

**Fees**

**Royalties**

**Cancellation and renewal policies**

**Exit strategies**

Ensure you read your franchising agreement thoroughly, and you may want to have a franchise attorney review it on your behalf prior to signing. Some franchisors will insist on this to ensure both parties are 100% about the contract they are entering into.







# Things to consider

## Site/location selection

Franchise territories are usually sold based on an area that contains a certain amount of the brand's target audience; enough to ensure that the business is viable in every case. This means that some territories might be larger than others if they are in more rural, sparsely populated areas. You should consider this in relation to where you live and how you will service/market to the area you are looking to buy.

Once you have decided on a territory, finding the right location(s) within that area to sell your services/products from is also very important. As an example, when a Puddle Ducks franchisee looks to hire a pool, they need to consider, amongst other things, how far the pool is from the nearest town, if the area is popular with young families or if there are any competitors working close by.



**Tip** - Asking current franchisees about their site selection process is a great way to understand what you need to consider.

## The opening process

Once you have decided on a site and sorted out the legal and licensing issues, it's time to get your franchise open! Begin by getting your name out there in the local community. Meet with local businesses to form mutually beneficial relationships by joining in with local community activities and seeking out local networking groups.



Social media is also your friend at this time. Offer an incentive to new customers, such as a discount on their first purchase and promote the deal across all relevant social channels. Contact local influencers to see if they are interested in your business and are willing to give you a shout out.

Your first day of opening will be both exciting and scary at the same time. Ensure you have **prepared all you can** to offer the best service possible, but bear in mind things might not always go to plan!

### Support

During your first few weeks, it's OK to lean on your franchisor for support - also, remember to try not to feel overwhelmed.

You should receive support from your franchisor - after all, it is in their best interests that you succeed. A good franchisor will be able to provide guidance in areas of operating systems, financial management, marketing and any technical aspects required to run the business.

Your franchisor will have been in a very similar position to you before. They have the experience and knowledge needed to help you through your opening weeks, so don't be afraid to ask for guidance.

**Don't forget**, your franchisor will have been in a very similar position to you before, so they will have the experience and know how to help you out.





## **Is it for you?**

Do you think you have what it takes to start a franchise? It takes dedication, hard work and patience, but can be an amazing opportunity for the right kind of person.

Here at Puddle Ducks, we would love to have you join our growing franchise family and can offer some brilliant benefits, such as:



**Comprehensive training**



**A tried and tested business model**



**A supportive network**



**Flexible working**



**Continued growth**

**Check out how you can become a franchisee for Puddle Ducks [here](#), or give us a call on 01477 410085.**

