Ashtons
Franchise
Consulting

A free guide
Franchising your business

ONE STOP SHOP FOR YOUR FRANCHISING NEEDS

www.ashtonsfranchise.com

What is franchising?

Franchising can be an effective way of developing your business nationally or globally offering a practical and profitable way of expanding, while maximising your resources and controlling costs.

How big is franchising in the UK?

According to the NatWest/bfa 2018 survey:

- UK turnover of £17.2 billion
- Employing 710,000 people
- 935 franchise systems
- Four in five franchise systems in the UK are indigenous
- One in three franchise systems in the UK use a franchise model overseas
- 48,600 franchise units, with a 10% increase in the last three years
- 20,000 franchisees; a third own more than one unit.

Is franchising profitable?

- 93% of franchise locations are making a profit
- 53% are quite or very profitable
- Over 98% of new franchise owners are profitable within five years.

If franchising is so good, why do I know so little about it?

Franchising remains very much under the radar and does not obtain the publicity it deserves. It is not easy to find understandable unbiased and independent information. Franchising, itself, is however a tried and tested format. **Franchising** is a proven method of marketing goods and services via a business formula licensed to others to replicate.

The franchisor grants, to a franchisee, the right to use the brand, systems, knowledge and marketing power to set up a new location for the business. This is in exchange for an initial franchise fee and ongoing Management Service Fees.

A franchise concept includes training, motivation, systems, management, advertising, marketing, buying, design, branding and much more – in fact, a turnkey package.

Why are more businesses adopting a franchise model?

Franchising, as a business model, offers companies a means to expand more swiftly without an enormous outlay of capital, and without diluting their brand identity and business values. Franchising can help franchisors expand nationally or internationally into a new market or sector.

Is it just another name for licensing?

Franchising is a unique business model that is more thorough and assured than licensing. Franchising provides far more control than licensing when set up with a well thought through business format franchise. The franchisor can then control brand awareness, marketing and operations at all times.

Why is franchising successful?

Franchising is a proven, effective way of developing a business as it is:

- A tried and tested method of distribution
- A way of expanding nationally and internationally
- A method that makes most use of your financial and management resources
- Ideal for maximising market penetration with minimum risk
- Self-funding over time
- Flexible to suit different brands, even in the same sector.

"Ashtons has been invaluable in advising me throughout my franchise development life and more latterly with the successful creation of the Caremark franchise."

Kevin Lewis, Managing Director & Founder

The different franchise systems and brands

The difference between a franchisor and franchisee?

A **franchisor** is the business that awards the licence to franchise owners to replicate the business system in new locations.

A **franchisee** is the person or business that invests in the brand and opportunity to replicate the business system of the franchisor in their region or location.

Can any type of business franchise?

Almost every type of business, whether it is service or product driven, or sells to customers or businesses, has the potential to franchise.

What types of franchise systems are there?

Job

The franchisee is the hands-on owner/operator, often with van-based services. This can then grow into a management Franchise.

Sales (e.g. Snap-on Tools and Chemex)

This is where the franchisee is selling goods and services, usually to business customers, but not acting as a retail consumer outlet.

Management (e.g. Northwood and Caremark)

This is where the owner is also the manager and manages a team of operatives.

Retail (e.g. Costa Coffee and Cex)

This is where the retail units have a high profile with recognisable goods and store layout.

Investment (e.g. Hilton Hotels and Holiday Inns)

This is where the franchisee invests substantial funds in a highcost, well-known brand and where the owner hires people to manage the business.

Area Developer

This includes the right to expand a region through sub-franchises or multiple managed outlets, within a specific time frame.

Master Franchise

This is where the originating franchisor awards a licence to a franchisee for a country or region.

There are more than 1,500 franchisor brands in the UK, with over 50,000 franchise locations between them. Brands franchising include:

- Belvoir (letting agents)
- CeX (second-hand electronics retail)
- Chemex (cleaning supplies/hygiene specialists)
- Domino's Pizza (food/delivery)
- Dyno-Rod (drain services)
- Enterprise Rent-A-Car (car rental)
- Holiday Inns (hotels)
- McDonald's (fast food)
- Northwood (estate/letting agents)
- Papa John's (food/delivery)
- Right at Home UK (elderly home care)
- ServiceMaster (cleaning)
- Snap-on Tools (sales and distribution)
- SUBWAY (fast food)
- TaxAssist Accountants (accountancy)

There are many types of businesses that franchise from retail to service; lawn care to pest control; sport to teaching; pubs to healthcare... the list is substantial and keeps on growing. Business sizes range from man-in-a-van operations to multinational corporations.

How does it work and how can I benefit?

There is plenty of scope for new franchisors and franchisees, when franchising is set up properly.

Can any business franchise?

Your business must have:

- Genuine growth potential
- A proven business model
- The ability to be taught to others
- Good profit margins
- An entrepreneur at the helm.

Is my business suitable?

Yes, if your business meets these criteria:

- Profitable
- Successful
- A good track record
- Capable of being systemised
- Able to be replicated
- National potential
- A strong identity
- The desire to expand.

Do I have to franchise everything?

It is very rare for a business to operate solely on a franchising basis. Having company-owned operations enables businesses to:

- Develop the brand
- Pilot and test
- Compare franchisee outlets with company ones
- Offer a franchise opportunity to ambitious employees
- Enable company-owned and franchisee outlets to learn from one another
- Keep in touch with the market place through a personal experience, providing franchisees with greater credibility.

Is it a remedy for a business with problems?

If your business has problems such as cash flow, lack of profit, or losses, then franchising is not a quick fix for you. It may look tempting to award franchises to raise cash, but no business that has done this has been successful. Successful business format franchising takes time.

Lower expansion costs

Franchisees pay you in order to be part of your business, thereby funding the costs of setting up and running new outlets.

Simpler management

The franchisee runs their business so they deal with hiring and training and all other daily operations. They work to an agreed system, so need less supervision than outlets which are company-owned.

Faster expansion

As franchisees contribute to expansion costs, it means that you need less capital than if you expand on your own. As you are expanding using a tried and tested formula, expansion is quicker than with company-owned outlets.

Better local market penetration

With localism increasingly important, having an outlet run by a franchisee who is part of the local community means that they already have local knowledge. Franchisees make a personal and financial commitment to operate where they are on a long-term and profitable basis. Opening new franchise locations creates local jobs and keeps much of the profit within the local community.

"AFC and Ashtons Legal have advised CeX on strategic, legal, compliance and recruitment marketing of our franchise development programme since inception in 2004, and continue to contribute to our success in achieving growth of over 250 franchised outlets in the UK, Spain, Republic of Ireland and Mexico.

Frank Orchard, Director.

What is the first step in considering franchising?

Less recruitment

Franchisees are responsible for daily operations and this takes a time-consuming burden away from franchisors, particularly in service sectors with high staff turnover. Franchisees invest time and money in their businesses, while managers may change constantly because they are looking for a new challenge or a better offer - franchisees offer stability.

Are franchisees better than employees?

Almost every type of business, whether it is service or product driven, or sells to customers or businesses, has the potential to franchise.

However experienced and motivated your best employees are, franchisees have a bigger stake in your success. Franchisees invest time, effort and money and so tend to offer a higher level of commitment and customer service. Given that they work to a detailed system, you still have control over franchised businesses. The most successful franchised businesses are those where they work closely with franchisees to develop the brand and business model, as each has a financial incentive to have a profitable business. With franchising, you will need fewer people at head office than if you expand in other ways. Franchising offers opportunities to your most ambitious employees (often the best ones you have) to own their own business within your brand.

Franchising is a global concept and flourishing in developed, developing and less developed countries. The business of franchising exists in more than 200 countries. You may be surprised at the pace of expansion. SUBWAY, for example, has more than 43,000 franchise locations worldwide and has announced their goal of having 50,000 outlets by 2017. Imagine an 8% revenue from that turnover!

International franchising enables businesses to expand in countries with local partners. Increasingly, there are limitations on what international businesses can do in certain countries, such as restrictions on ownership. Having a local partner who knows the reality of how businesses operate in a country, rather than the theory, is a huge advantage when expanding overseas. Franchising makes it easier for businesses to adapt to local laws, customs, language and consumer needs.

The first step is the most important one, yet is often missed out. A thorough review is essential to see if your business is capable of being franchised and which model is most suitable.

- BA franchise consultancy business, such as Ashtons Franchise Consulting, carries out an assessment, which evaluates your business model, and its readiness for franchising. Ashtons Franchise Consulting then produces an outline Franchise Development Business Plan.
- With this complete assessment, you can clearly see what will be involved in franchising your business and the likely financial rewards for your company and potential franchisees.
- With expert advice and guidance, you decide the best method to use and most suitable speed.
- Professional advisors with franchise expertise, such as Franchise consultants and, later, Franchise lawyers, can help you lay solid foundations with help and advice on commercial and legal requirements, intellectual property rights, legal agreements, training and management systems.
- Ashtons Franchise Consulting will work with you to create the franchise infrastructure; from your Franchise development business plan, Franchise Operations Manuals, legal agreements franchise information memorandum, through to Franchise recruitment and training programmes and everything required, ensuring you have a complete understanding of how franchising can best for you and the best plan to follow.
- Ashtons Franchise Consulting can then help you to recruit franchise owners that meet your predetermined profile.

There are many aspects that go to make up a genuine business format franchise and not understanding their respective importance can substantially weaken your planned franchise development.

How can Ashtons Franchise Consulting help?

Franchising can be an effective way of developing your business nationally or globally offering a practical and profitable way of expanding, while maximising your resources and controlling costs.

Do franchisors or franchisees not succeed?

If success in business was guaranteed, it would take away all the challenges that any successful business can expect. The outside world of consumer tastes, competition and events can prove challenging. Both franchisors and franchisees fail, often when the franchisor failed to get best advice and guidance from experienced franchise consultants, and did not put the necessary infrastructure in place.

The four main areas for failure are:

- Lack of knowledge of franchising and the pitfalls that exist
- Undercapitalisation
- Unrealistic expectations
- Failure to support the franchisees, and the business itself in the longer term

When a franchise system is properly set up it has a much greater chance of success than new business start-ups or existing businesses expanding. Failure of an individual franchisee does occur; your Franchise Agreement must be correctly worded so that those that do not perform or abuse the system can be removed, then replaced simply and quickly.

Why do I need advice?

Successful franchising combines many key complexities and is not a do-it-yourself opportunity. Engaging with a company of professional franchise development consultants is beneficial as you can gain from their years of experience, knowledge and understanding of the market. The overall concept is simple, but is easy to get wrong. Hiring experienced franchise consultants for their knowledge and skill saves you time and money.

Who are Ashtons Franchise Consulting?

We are a talented team of Franchise specialists with over 35 years experience in assisting 100's of businesses to expand and grow through franchising. We have worked with companies of all sizes form all sectors. Ashtons Franchise Consulting has all the skills, expertise and knowledge to effectively guide you on your franchise journey.

If you are a company seeking franchise consultants to help you franchise, Ashtons Franchise Consulting can provide advice and guidance related to your specific concept.

For businesses considering expansion by franchising, Ashtons Franchise Consulting is a market leader and you are invited, having read this guide, to call us to discuss your plans.

"Thank you, we are all delighted that we were voted 'Best Emerging Franchisor' at the British Franchise Association Awards 2020! You truly are very much part of that recognition of success. From your guidance and invaluable advice in the early days to introducing us to Ian Bradley and more".

Karen Prewer, Founder, My Window Cleaner.

"A fabulous team and so extremely helpful, nothing is too much trouble" - always at the end of the phone whenever I need them.

Alexandra Knight, Fitter Body Bootcamp

"Ashtons were a pleasure to work with and I feel very confident going forward that I will be able to grow my business substantially. "

Amandeep Gill, Boost Education.

Franchising Resources

The British Franchise Association

The British Franchise Association (bfa) is the voluntary self-regulatory body for the UK franchise sector.
www.bfa.org

Franchise Info

The source of UK franchising information including franchise news and exhibitions.
www.franchiseinfo.co.uk

Business Franchise

The official magazine of the bfa including an invaluable A-Z directory, industry news and in-depth articles.
www.businessfranchise.com

Which Franchise

Official online partner to the bfa includes UK franchise opportunities and information on franchising your business.
www.whichfranchise.com

Ashtons Legal

First-class legal services and specialists in franchising law.
www.ashtonslegal.co.uk

Natwest

Local expertise, guidance and support for your franchise business
www.business-insurance.natwest.com/small-business-insurance/tips-and-advice-for-small-business/new-businesses/buying-a-franchise/

Lloyds Bank

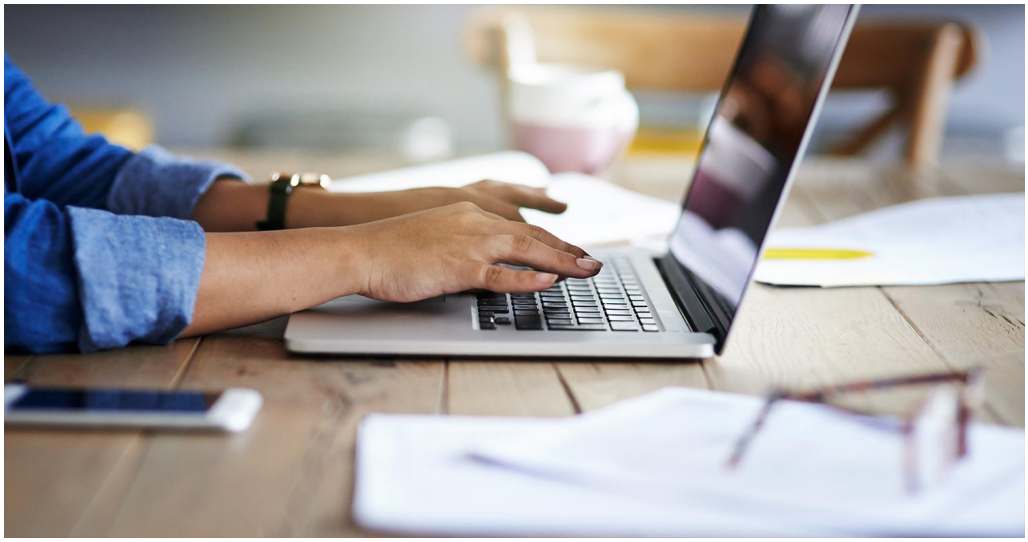
Lloyds Banking Group understands that franchisors and franchisees need support from a bank that knows the sector and understands the issues impacting on them.
www.lloydsbank.com/business/industry-focus/franchising/franchisors.asp

Barclays

Whether you're a franchisor or franchisee, we have the knowledge and experience to help you make the most of new opportunities.
www.barclays.co.uk

HSBC

Whether you're considering buying a franchise or looking to grow your business through franchising, find out how HSBC's expertise could help you to do so with confidence.
www.business.hsbc.uk/en-gb/hsbc-franchising



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