

# What is Franchising?

*“Your business is  
the product”*



# Two ways you can create a successful business...

## First method (low success rate!)

Start from scratch and build it up along the way

*BUT it can be risky, time-consuming and error prone*

Note. 42% of start up business fail in first 3 years  
and 80% fail in the first 5 years!

## Second Method (buy a Franchise)

Use someone else's successful formula

*AND most probably get up and running fast*

Note. 90% of franchisees trading after 3 years  
And 75% - 95% of Franchisees last at least 5 years!



# What is Franchising?

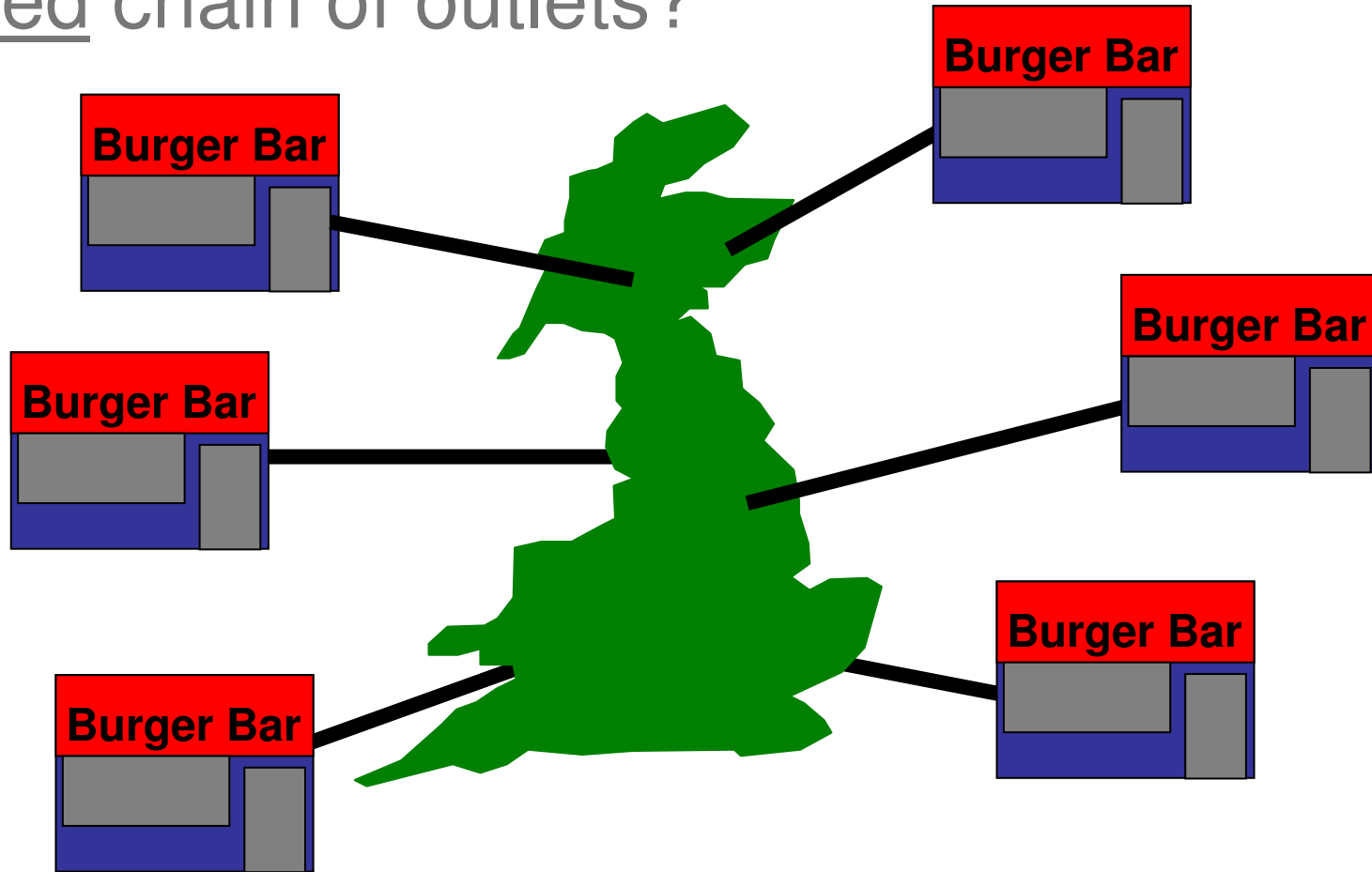
*“Franchise fran chiz ...a commercial concession by which a retailer is granted by a company the exclusive right of retailing its goods in a specific area,...”*

**So is it....**



# What is Franchising?

A licensed chain of outlets?



Maybe...

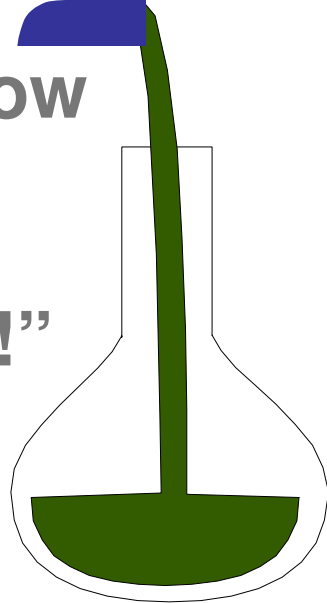
# What is Franchising?

Selling Intellectual Property?



Know-how

“Bottle it!”



Your hat is sitting on a fortune!

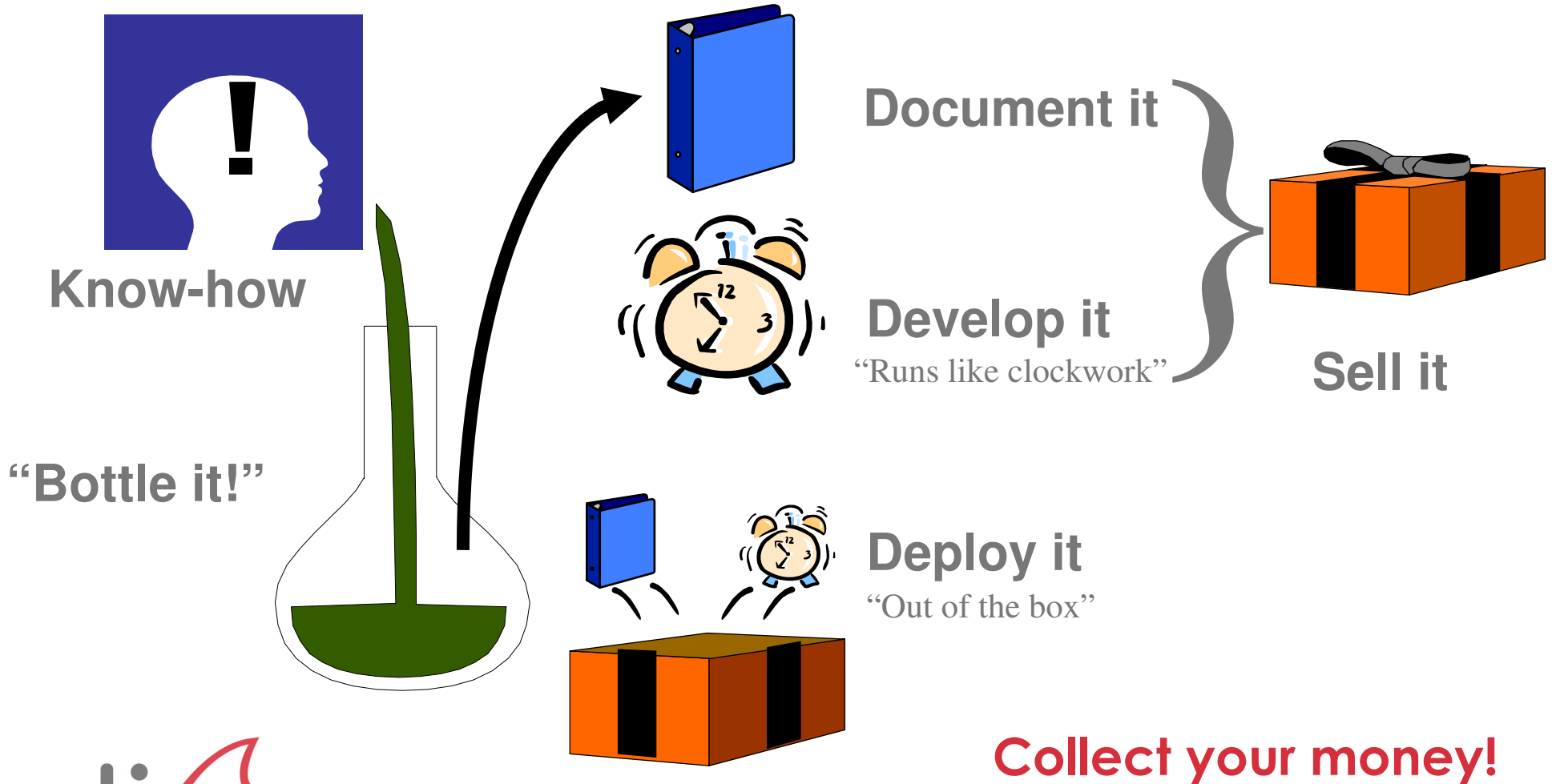
*“A million here, a million there...  
Pretty soon it adds up to real money!”*



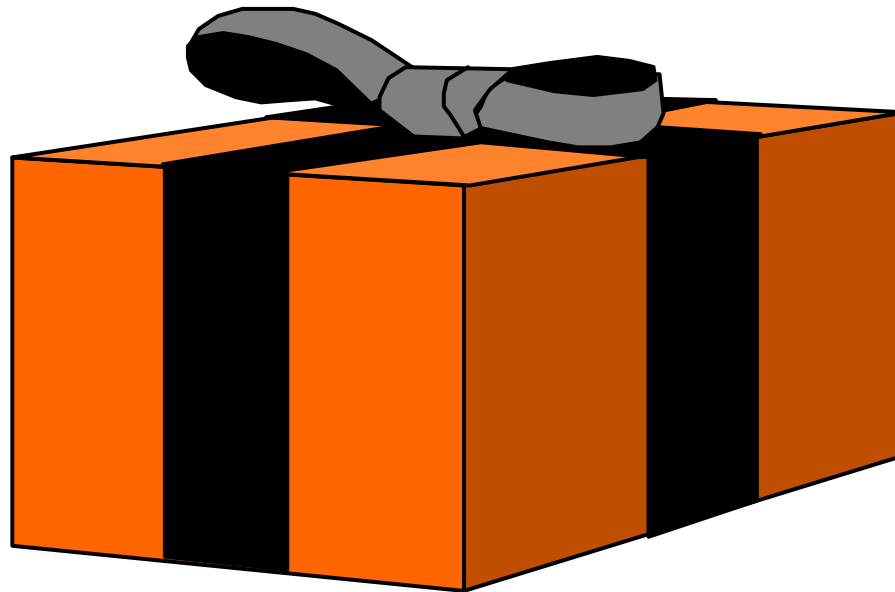
**Specifically...**

# What is Franchising?

Selling an Intellectual Property Based Product?



# How does Franchising Work?



# How does Franchising Work?

## The Franchisor

Provides a tried, tested and proven “out of the box” package... brand name, training, support, corporate muscle and know-how.



## The Franchisee

Buys the licensed package... for a specific place and for a specific period of time *and* invests capital, time, effort & know-how.

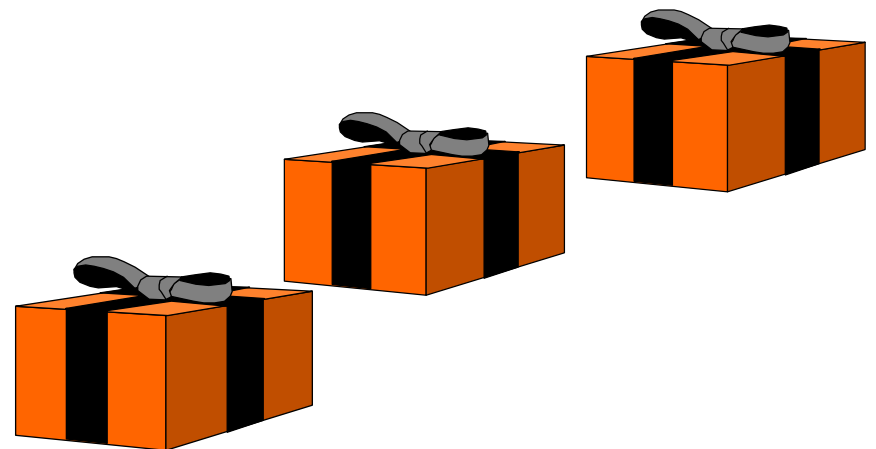




# How does Franchising Work?

This varies with the type of franchise...

- **RETAIL** - Franchisee is owner-operator of an outlet
- **INVESTMENT** - Franchisee invests in capital items and manages them but uses others to execute - e.g. hotel
- **EXECUTIVE** - Franchisee is white-collar business - e.g. specialist consultancy
- **MANAGEMENT** - Franchisee manages a regional infrastructure plus operatives - e.g. courier group
- **JOB** - Franchisee is a “one-man band” - e.g. operating carpet cleaning from a van.
- **INTERNAL** - the Franchisee is another part of the same organization.



# How about the UK market?

All figures are approximate...

- ✓ **759 franchisors** and increasing
- ✓ **Total outlets 30,800** and increasing
- ✓ Average franchisee **turnover £318,000**
- ✓ **92%** of franchisees report a **trading profit**
- ✓ Average start-up borrowing £40,000
- ✓ 27% of franchisors also operate outside UK
- ✓ **364,000 employed** in franchise chains
- ✓ **Franchisee capture is a constraint on growth**

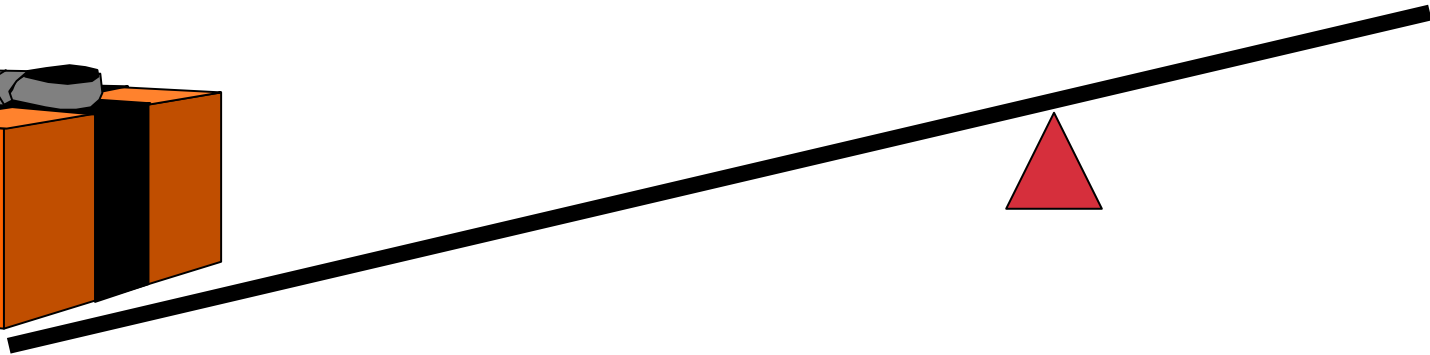
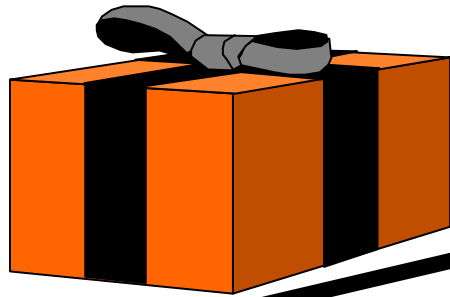
*Source: Natwest/BFA Franchise Survey 2006*



*The main industry body is the BFA.  
There are two trade magazines + other active publications  
e.g. Dalton's Weekly*

# Why be a Franchisor?

Leverage



# Why be a Franchisor?

## The Franchisor...

- Gains an outlet in a new place for minimal investment
- Expands the business cost-effectively
- Expands the business faster
- Removes potential competitors
- Gains a degree of exclusivity and protection not otherwise available
- Locks in key people more effectively



# How to spot a potential Franchisor?

## Generally...

- ✓ Has a distinctive or niche market with a “winning formula” or special know-how
- ✓ Operates in one area but can be grown by replicating all or part of the business

## For a current business...

- ✓ Runs smoothly and profitably
- ✓ Has three or more years trading well

## And for a start-up...

- ✓ There is a window of opportunity in the market – especially a niche service
- ✓ Funding by conventional means is limited

# Why be a Franchisee?

A short-cut  
to a business  
that works - the  
franchisor  
learned from  
mistakes so you  
don't have to!



Work ON  
your business  
*NOT*  
just IN your  
business

# Why be a Franchisee?

## The Franchisee...

- Starts a new business quickly at lower risk
- Gets everything “packaged”
- Gets quicker return on investment
- Gets big business “pull” with customers and suppliers
- Can expand with multiple licenses
- Has a business that’s readily saleable
- Is part of a community of like-minded people



# How to spot a potential Franchisee?

## “Obvious” cases...

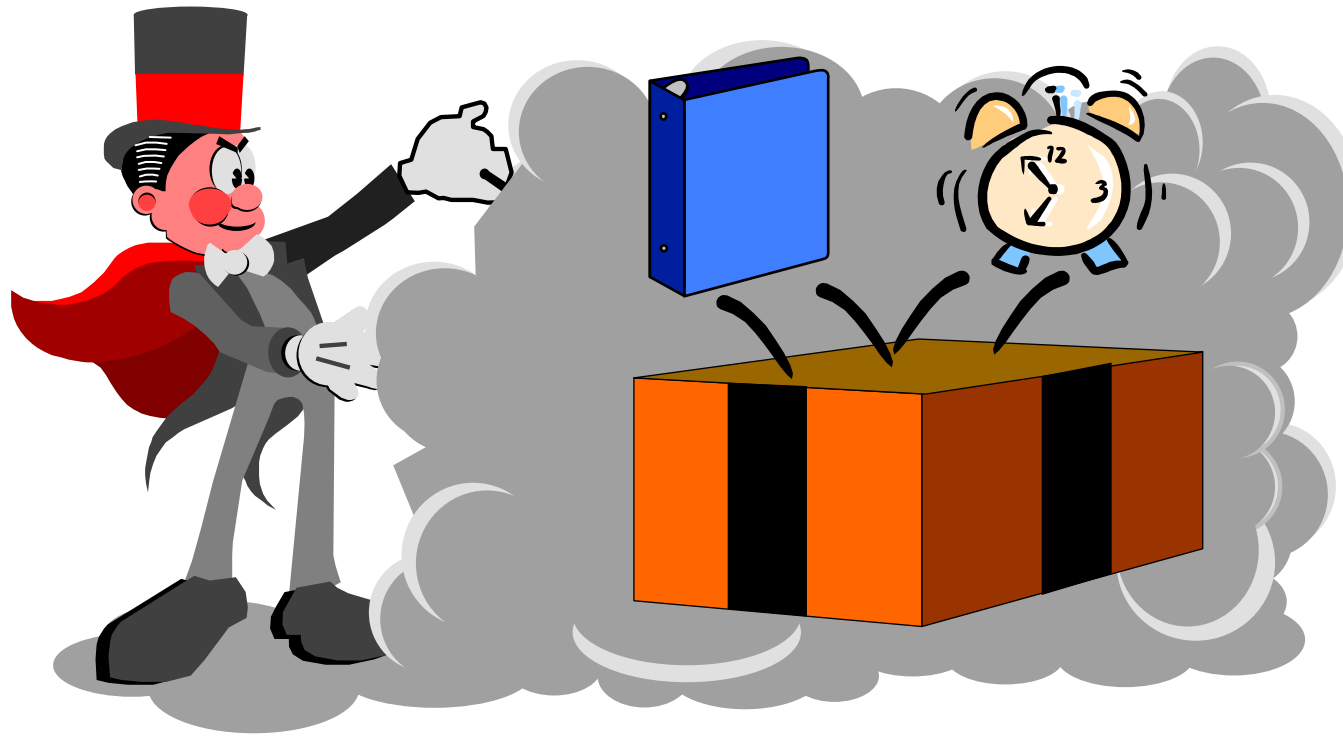
- ✓ Has some funds (e.g. redundancy) to start a business and wants to buy rather than start from scratch
- ✓ Wants to be their own boss but commitments or other issues prevent them from starting a business from scratch

## Less obvious...

- ✓ Has an interest, hobby or lifestyle preference and is looking for a way to earn a living based on it

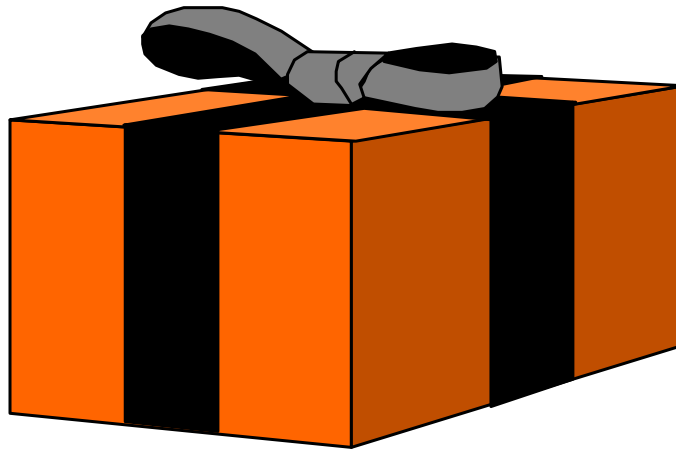


# How to create a Franchise?



*It's not done by magic! .. but you do need to know the tricks...*

Fundamentally the trick is to  
realise...



*“Your business is the product”*

# For further information...

Check out our Web site: [www.replico.biz](http://www.replico.biz)

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*We provide a **FREE**  
**2-hour consultation**  
for prospective  
franchisors.*



# Action Plan

Actions for you (or your people)

ACTION (Initiative)	WHO	TARGET DATE