

The four main factors that lead to success as a franchisor have been identified in a study by the University of Surrey that will provide a valuable guide to companies planning to franchise.

WHAT FRANCHISORS NEED TO SUCCEED

The findings will also be of value to prospective franchisees as they indicate the strengths they should look for in assessing franchisors. The four factors are:-

- Experience or knowledge of franchising
- A secure financial base
- An uncomplicated system
- The recruitment of suitable franchisees.

The research was commissioned by the BFA as part of its project to broaden the scope of its membership accreditation and re-accreditation process beyond the fairness of the franchisor's contract and its financial strength. Catherine Jackson, the BFA's accreditation manager, said that the survey was a key element in the association establishing a more commercially focused accreditation process. "The report has supported our risk assessment of the commercial indicators for the success or failure of a franchise system without compromising the need to assess the ethical basis of the relationship between franchisor and franchisee," said Jackson. Anna Watson, of the University of Surrey, who conducted the research, said that prior experience or knowledge of franchising was important to success and that for a business to franchise successfully it had to fully understand the financial implications. "It needs to have a strong trading record and balance sheet, and to have the funds in place for long-term support."

Advisory councils

She said that the study had shown that successful franchisors were those who had invested in a dedicated support structure underpinned by staff who had a full understanding of the approach needed to manage and sustain a franchise network. Such franchisors held regular regional or national meetings for their franchisees and all had franchisee advisory committees or councils. "These companies all stressed the importance of these councils in terms of helping manage the franchisee/franchisor relationship. The presence of franchise councils is perhaps indicative of the fact that franchisors fully appreciate that franchisees have to be managed differently from employees." The study backed up the NatWest/ BFA survey, which showed that recruitment of suitable franchisees was the biggest barrier faced by franchisors with 39 per cent citing it as a problem. Watson said that many failed franchisors had recruited unsuitable franchisees. "The ability to recruit suitable franchisees, whilst in part a reflection of the track record of the system, also seemed to be closely related to the wider economy," she reported. "In the early 90s, during the recession, it was far easier to recruit franchisees as there were a large number of people with extensive management experience who had redundancy packages to invest," she said.

EU-backed project

The study was commissioned by the BFA under the Create programme, an EU-backed project to help those who are seen as disadvantaged in the labour market to set up in franchising, either as franchisees or franchisors. The disadvantaged groups at which the project is aimed include women, the under 25s, over 50s (the third age), the disabled, the blind and visually impaired, and ethnic communities.

Run by Business Link Hertfordshire the project began in September 2002 with funding of £1m and received further funding of £1.8m in 2004 - the largest ever single tranche of money to promote franchising. Robert Looker, the former accreditation manager of the BFA, is now franchise manager of Create. The name is derived from Creating Equal Access To Enterprise.

Franchiseworld Nov 2005