

Hoosein Dadabhoy, Regional franchise director at the Bank of Scotland stresses the importance of a comprehensive business plan

PLAN OF ACTION

When you are buying something, what do you usually do? Let's assume you want to buy an MP3 player - do you go and buy the first one that you see? Unlikely.

What will you look for? Makes and models, prices, features, perhaps even reviews about which ones are good/reliable, etc? So you choose your MP3 and purchase it.

Some of you will then just rip it out the packaging and play around with it .in the hope you learn how to use it. The majority of us will, however, read the instructions manual, so we understand the basics as well as the more difficult features. From time to time you may refer back to the manual, as you have now become so good you want to try the really hard things.

So should buying or starting up a franchise business be any different? Considering the difference in investment, I would do a lot more than the analogy above. The principles are the same, though.

FACTORS

There are a number of factors to consider when buying or starting up a franchise, but some key questions to consider are:

- Why this concept or brand?
- What are the products and/or services? . Why this location?
- Who and where is my competition?
- What and who will be my management/staff structure?
- Strategy - short to long term.
- Financial needs.

You will also want to set yourself some goals and objectives to ensure that you and your staff have a clear direction of where you want to take the business and the key milestones that need to be achieved.

The best way is to document all this and the most advisable way is to produce a comprehensive business plan (your instructions manual on how to operate your business). This will demonstrate to key partners such as the franchisor and bank:

- How committed you are with the research and time taken to put this together.
- Your level of understanding of the business. . How this will be financed.

The financial part is just as important as the rest of the commentary. You need to detail your budget - how much is it going to cost and what you will be contributing. How you will you repay the bank debt. Have you understood what your break-even position is and, if things are not quite going to plan, what other sources of funds could you access or costs that could be cut!

GUIDANCE

Accountants can help put the business plan together and some franchisors will also provide guidance, as well as perhaps some sample figures. However, the worst you can do is let them do it all for you and pass it on to the bank.

Challenge the information put together on your behalf to ensure you really understand the business plan, so if asked to explain any item you can do so with knowledge and confidence.

The other major benefit whilst you are doing the research and producing the business plan is that you should be asking yourself, is this really for me? If you firmly believe this is the way to go and what you want to do, then stick to it, and don't give up.

So what format should be used? It can be anything, but you should have some structure to it. To help you most banks will provide a template, while some franchisors will also have a preferred template.

It should be remembered, though, that a business plan is not something you do at the start and leave on a shelf to gather dust. It should be a 'live' document that is regularly reviewed - are you still on track with the goals and objectives or has the market place changed and do you need to adapt your business? So review this periodically and make sure the business plan is updated to reflect the current position.

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