

Richard Holden, Head of Franchising at Lloyds TSB outlines what help franchisees can receive from banks, and the important questions to consider.

## SUPPORT FOR THE FRANCHISING NOVICE

Franchising is generally regarded as one of the safer ways to start a business, although as with any business opportunity there are still risks. It is therefore important that anyone thinking of franchising does their own thorough research and gets appropriate professional advice. High-street banks can provide free advice for anyone wanting to find out more. Some banks have specialist franchising units, and it can help to seek their expertise and advice before drawing up your plans.

As well as giving guidance about what franchising is and how it works, banks can provide more specialist support to help you make the right decisions. They'll help you decide whether franchising is right for you, and can advise you on the questions you should be asking franchisors. Once you've done the groundwork, your bank will be there to help you get your business off the ground.

A bank's franchise unit can also give you the low-down on all the major franchise systems in the UK and advice on available finance options.

Deciding on a franchise takes a lot of thought. You'll need to look at the franchise's performance so far, and think about its chances of future success. You'll need to make your own judgements about prospective investments, and you should never let yourself be pushed into a commitment if you're not ready - even if that means risking this particular franchise opportunity.

There are a number of questions you should ask before you part with your money.

- What do you know about the history of the business?
- Do they have sufficient resources to provide support to their franchisees?
- If it is a new franchise, has a pilot scheme been operated? If an established franchise, how many franchisees are there?
- Have any franchisees failed? Can you meet them to find out why?
- What support is available to a new franchisee, both initial and ongoing?
- How do they recruit franchisees? How much experience will you need?
- Is the franchisor a member of the British Franchise Association?
- How much does the franchise cost and what does the price include? Will you have to pay for additional equipment or services?
- What are the ongoing charges?
- What are the franchisor's plans for the future?
- What are the projected profitability ratios? How realistic are they?
- Is the business seasonal? Is there a good time to start trading?
- Is there a set performance target? What happens if this figure is not achieved?
- Are you obliged to buy supplies from the franchisor and is there a minimum spend?
- Does the franchise agreement allocate an exclusive territory to each franchisee?
- For how long is the initial franchise licence granted? Are there any renewal costs?
- Will you be able to sell the business without any restrictions? How easy is it to terminate the agreement?
- What assistance will you receive with local advertising and promotion? What will be the cost to you?
- Does the franchise network meet on a regular basis to share ideas?

And even with answers to these questions, you'll need to ask yourself the following questions before making the final commitment:

- Is the business right for you?
- Do I have the necessary skills?
- Can I afford it and is the price right?
- How will I get on with the franchisor?
- Will I receive sufficient support?
- Have I taken the appropriate professional advice?
- Are there any alternative options to consider?

Franchising won't suit everyone. There are some aspects of franchising that won't appeal to certain people, one example being the restrictions on the business. These could include limits on the products that you sell and the suppliers you use, or even the design of your premises. Taking on a franchise means you're taking on a complete business system, so you'll generally be expected to keep to these boundaries. It's a system that works for many but not for all, so spend your money wisely.

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