

Feasibility Study: Is Your Business Suitable for Franchising?

Credibility & Strength of Brand

Prospective franchisees will look at a number of franchise models before deciding which is right for them. Assess:

- How long have you been operating your business? Have you got enough years of trading to have a credible offering?
- How strong is your branding both in style and consistency with your business values?
- Is your logo registered as a trade mark? How strong is the customer awareness of your brand?
- Do you have a clear USP to set you apart from the competition?

Ability to Replicate Model

Is your business capable of being replicated exactly by someone else, in another area and still be successful? Consider:

- Is there a straightforward business model?
- Is the business success dependent on:
 - particular skills or characteristics only you have, and which can't be learned by others?
 - a geographical advantage you have which won't be available elsewhere?
- Does the business have a particular way of operating that can be followed by someone else to ensure consistency?

Running a Pilot

You should run a pilot for 6—12 months to test that the business operates successfully in franchise conditions. At the end, review:

- The pilot franchisee's ability to follow your operations manual, and update as required
- How much additional support you had to provide: can this be covered by training, or has it exposed the business model's dependency on you/other specific factors?
- The profitability of the franchise – was it in line with your projections?
- The characteristics of your franchisee and whether they were successful

Financially Viable

Whilst you can't guarantee the success of a franchisee, you do need to ensure that the business is a viable prospect. Consider:

- Are there sufficient profit margins in the business to enable your franchisees to get a reasonable return on investment after payment of your franchise fees?
- Will it generate sufficient franchise fees for you, to make franchising worthwhile?
- Are your forecasts realistic? How do they compare to other franchise offerings in terms of profitability, investment and risk?
- Is your business sector already saturated?

Systems in Place

Your franchisees will want confidence that you have proper systems in place to manage the franchise. Assess:

- Can you reduce your business system to writing in an operations manual? The simpler the system, the easier this will be
- Have you got a full set of appropriate policies to roll out across your network? Consider sector-specific issues such as safeguarding
- Is your IT software fit for purpose?
- Do you have a clear strategy you can deploy to help your franchisees?

Management

Once your network is up and running, you will need to manage various franchisees as well as providing ongoing support. Consider:

- Do you have the skillset to manage a network of franchisees, particularly in the early years when they will need more help?
- If not, are you prepared to employ someone to deal with it for you?
- How will you:
 - monitor franchisee performance?
 - deal with recruitment of franchisees?
- Do you have a good and stable support team around you?

Making the Right First Move

A professional affiliate of the British Franchise Association, Darwin Gray's expert franchising team provides both franchisors and franchisees with clear, relevant advice and support including the following:

- **Franchise agreements**, ensuring that they comply with the BFA's code of ethics
- **Confidentiality agreements**, to protect commercially sensitive information in early stage negotiations with prospective franchisees
- **Deposit agreements**, useful to take an initial deposit from a prospective franchisee to reserve a territory

Franchise HR Service

We recognise that one of the biggest challenges and costs franchisees face is dealing with the complexities of taking on and managing staff. Getting it wrong can damage the brand and network.

As part of our HR services, we work with franchisors to develop bespoke employment contracts and an Employment Handbook for franchisees. This gives franchisors assurance that employment issues are dealt with properly across the network.

With our bespoke retainer service, give your franchisees a named, experienced HR consultant to provide support when needed.

Further Down the Line

There are many important factors to consider when starting out with franchising your business. However, once your network is established, we can also help with:

- **Franchise resales**, when franchisees sell their business to someone else
- **Dealing with disputes and conflict** with franchisees when they arise – we aim to reach commercial settlements, but we handle terminations and formal disputes where necessary
- **Intellectual Property Rights** issues, for example any trademark disputes
- **Assisting with growth plans and exit strategy**
- **A range of corporate and commercial support** from investments into your network to advising you on relevant changes in the law

Memberships and Accreditations



Available Support

When you're ready to franchise, make sure you take specialist advice. Not only will this start your franchise network off on the right foot, it will ensure you give the most professional impression to your prospective franchisees.

Available support includes:

- **Speak to existing franchisors** – groups such as Encouraging Women into Franchising and the Approved Franchise Association hold a number of meetings around the UK, and you can attend your first meeting for free without being a member
- **Take professional advice**
 - assistance for business plans and forecasts will often be available from sources such as your accountant, local bank or other local resources
 - marketing experts will be able to give you an honest appraisal of the strength of your branding
 - at Darwin Gray, in addition to specific franchise agreements, we can help you with trade marks and other issues such as incorporating a limited company
- Other expertise you may benefit from include copywriters who can write your operations manual into an appropriate tone of voice for your brand