

## Ten steps to successfully franchise your business

Franchising can be an excellent way of growing your business rapidly and earning a good return. It can also be a pathway for ultimately exiting your business and leaving it in the capable hands of franchisees.

Here, we'll outline ten steps to successfully franchise your business with a view to leaving it behind at some point in the future.

### 1. To franchise or not to franchise

A franchise is an agreement that enables someone else to replicate your business in a different geographical location. When you sell a franchise to someone, that person becomes a franchisee.

The franchisee will sell the same goods or services as you, at the same prices.

#### Pros of franchising

Some advantages of franchising include:

- Using other people's capital to expand – if you opened another branch yourself, you'd have to raise your own capital.
- Franchise fees and royalty payments – the creation of these revenue streams is consistent with franchising.
- Growth of your brand – you can focus on the image of your brand in the marketplace while your franchisees concentrate on selling your products or services.
- Franchisee investment – as investors rather than employees, you should expect franchisees to work harder to make their branch successful.

#### Cons of franchising

Some of the disadvantages of franchising are:

- Documentation – you'll have to document all business systems, processes and quality standards in operations manuals.
- Training – providing basic training and on-going support will be crucial.
- Hidden expenses – having to troubleshoot problems and visit franchisees can become costly.
- Risk – there's a risk to your brand if you choose the wrong franchisee. It may also be difficult to disenfranchise them, wasting your time and energy.
- Quality control – if your franchise branches are widespread, it could prove hard to control the quality of your products or services.

Study the concept of the franchise and research whether this is the best way for you to eventually exit your business.

## 2. Suitability of your business

You really need a proven track record to even consider franchising. You'll get little interest in your business if there isn't enough profit in it. There are opportunities for businesses in emerging or growth industries, or even in fragmented markets where there aren't any dominant players, to set up franchises.

Ideally, your business concept won't be limited by barriers – neither geographical nor cultural. Products or services with brand recognition will go a long way to attracting franchisees. Having established and reliable supply chains are also essential.

## 3. Develop a franchise plan

Begin to map out a franchise business plan. You should explain why your business is appropriate for franchising and how your franchise system is going to work. Your franchise plan should contain:

- Strengths, Weaknesses, Opportunities, Threats (SWOT) that will face your new business model
- The management structure of your franchise – plus training and support systems
- Financial forecasts, marketing strategies, budgets and intended growth over the coming years
- Your future supply chain, considering expected growth
- Fees, royalties, transition timelines, and revenue targets for franchisees
- The requirements of franchisees – business skills, personality traits, work ethic, and financial position
- The monitoring process used to make sure franchisees are providing similar quality products or services.

## 4. Standardize your processes

One of the most critical elements for transitioning to a thriving franchise business model is ensuring you document all the systems and processes in your business. Essentially, you want to create an operations manual that will be easy to follow.

Your franchisees want to be able to reproduce the original business model with ease. Standardizing your business processes will assist them. Field test your procedures during the initiation of your first franchisee.

## 5. Improve training methods

Establish a training program and operations manual that will give new franchisees a comprehensive guide to the initial set-up of their franchise, along with day-to-day management requirements.

Training is vital for helping to get new franchisees up and running. If they can quickly learn your business's methods for success, they may have less need for your support structures further down the track.

## 6. Draw up a franchise agreement

It's wise to engage a lawyer who specializes in franchising when you begin to draw up your franchise agreement. You'll want to avoid any future issues or conflict by ensuring the terms and conditions of the agreement are clear.

A franchise agreement binds both parties to a long-term business relationship, so you need to make sure it covers everything to protect you and your franchisees' interests. Write up a list of items you want to cover such as ownership, fees and royalties, standards of operation, costs, disputes procedures, security, responsibilities, training and support.

Set down the conditions that may require you to terminate a franchise agreement – perhaps due to failing to reach agreed operating standards or revenue targets.

## 7. Strengthen your brand

You should already have a recognizable brand image and reputation. A brand is your customers' perception of you and must be continually strengthened and protected. Make use of various promotional tools to enhance this, such as advertising, word-of-mouth, competitions and loyalty schemes.

Customers have an expectation that your brand will provide them with the same services or products every time they shop with you. Take Subway as an example – they promote themselves with the slogan, 'Eat Fresh.' It's therefore critical that all their franchise stores have fresh produce daily, to serve to their loyal customers.

## 8. Attract the right franchisees

Your business may be so popular that you mightn't need to attract franchisees – but you will need to find the best prospects. You'll have to weigh up how much business experience potential franchisees should have and whether you'll work with people who have an entrepreneurial mindset.

If you must advertise, ideally use a business magazine. Local newspapers or online advertising may be fine but consider who's reading your ad and if they're the kind of person you're looking for.

## 9. Establish support systems

You'll have to make sure you have support systems in place for any issues that franchisees and their employees may have. Decide whether to rely on in-house staff to support franchisees, or set up an external group responsible for support, ensuring quality and brand standards are upheld, and contractual obligations are met.

## 10. Oversee your franchisees

With your support systems in place, regularly review your franchisees performance and targets. By being easily accessible via email or phone, and visiting your franchisees frequently, you'll help build up a rapport that shows you want to maintain high standards.