

It contributes more than £15bn annually to the British economy and has seen a 70 per cent increase in its workforce over the past decade. Could taking on a franchise, with the flexibility and autonomy it promises, be the answer for corporate leaders seeking a fresh start? *Director* asks a selection of sector experts and franchisees for their insights

Words Nick Scott

In a column for Malaysian newspaper *The Star* last year, an astute business commentator going by the name of Sir Richard Branson noted that “the world is acquiring a more entrepreneurial mindset, especially with the emergence of a younger generation that prizes flexibility”. It should come as little surprise, then, that franchising – in essence, the granting of a licence by one party (franchisor) to another (franchisee), enabling the latter to trade under the former’s brand – is gaining in popularity.

According to the latest survey by the British Franchise Association (BFA) and NatWest, published last year, there were 44,200 franchisee-owned businesses in the UK employing 621,000 people, representing a 70 per cent growth in the sector’s workforce over 10 years. The researchers also found that its annual contribution to the British economy was £15.1bn – an increase of 46 per cent over the decade. More than half of the franchisees reported that their annual turnovers exceeded £250,000.

From the franchisor’s point of view, licensing a brand makes perfect sense. Who wouldn’t want to harness the capital, skill and effort of other highly motivated people to replicate a proven business model, while retaining ownership of all intellectual property and avoiding major investments and liabilities? But what is driving so many more people to become franchisees?

Nicola Lucas is an associate at Nockolds Solicitors, a practice that advises on all aspects of franchising. She believes the sector’s rise is rooted in the



“broader increase in self-employment after the 2007–08 financial crisis. This has given people, perhaps having been made redundant, more freedom to carry out the businesses they want to.”

Lucas also says younger people, especially those lacking a killer commercial idea of their own, have been increasingly drawn to the concept. A fifth of new franchisees in 2014-16 were under 30, according to BFA/NatWest research. “Millennials don’t want to wait for work to come to them,” she says. “They’re quite different about how they approach their careers.”

But it’s not just a generation Y thing. People of all ages are benefiting from the

relative autonomy offered by a career as a franchisee. As Martin Jones, MD of Home Instead Senior Care, wrote in a letter published in the March issue of *Director*: “Franchising as a business model provides older people, perhaps disenchanted with their careers but apprehensive about going it alone, with the perfect way to set up their own business and become their own boss, within tried and tested parameters.”

Lucas adds that the relative flexibility of franchising is an attraction for anyone needing a better work-life balance. “A lot of options suit people who need a vocation that fits around their lives, such as parents of young children,” she says. »

Special report

# FRANCHISING: THE FUTURE OF YOUR CAREER?

Franchising has matured greatly over the past decade, thanks in no small part to the BFA's strong guidance, according to Nick Williams, who has been managing consultant at Ashtons Franchise Consulting since 2001.

"The model is able to offer investors a genuine, replicable, successful way of establishing their own business, with an expectation of support, guidance and mentoring thereafter at a personal and business level," he says.

#### A slice of the action

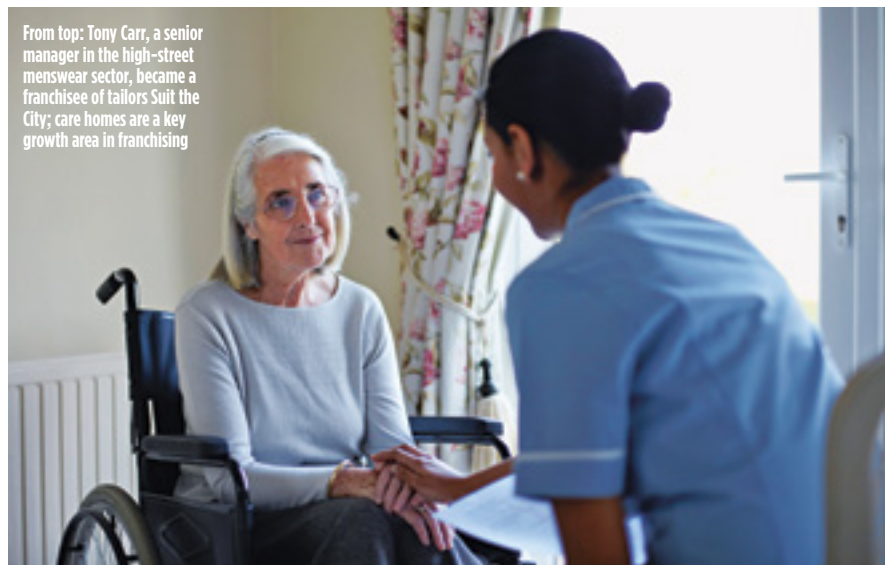
Inevitably, many potential franchisees are enticed by the potentially big rewards offered by major global brands. Domino's Pizza, for instance, claims that a third of its franchisees are millionaires. But the stakes are higher in such relationships, as Lucas explains: "The difficulty [with some big franchisors] is the increasingly large amount of capital they require you to invest. Some will ask for at least £250,000 up front. So I've noticed smaller franchises popping up that still give the same opportunities, such as in childcare, party planning, cleaning services and swimming tuition."

Williams agrees that opportunities now come in many shapes and sizes. "These range from single-operative, low-cost 'man in a van' investments through to substantial arrangements where the franchisee is more likely to be running their own business at the top management level than to be engaged in its day-to-day activities."

Catering and domiciliary care sectors are particularly lively at the moment, he says, while part-time opportunities abound in education. "Exhibitors at franchise expos – ranging from gardening to courier businesses – really reflect the industry's diversity."

Franchisees are indeed a mixed bunch in terms of background, motivation and experience. For instance, Keith McGregor, a franchisee for Expense Reduction Analysts UK & Ireland (ERA), was working as a consultant when he met ERA representatives at the Franchise Show in London's Docklands in 2015.

"The business model made perfect sense to me," he recalls. "The five-week initial training was excellent, as is the support I continue to receive. ERA has provided a mixture of training in specific areas, regular academy days,



From top: Tony Carr, a senior manager in the high-street menswear sector, became a franchisee of tailors Suit the City; care homes are a key growth area in franchising

mentoring in the first few months and support on tap."

Despite that, McGregor admits his first year running the franchise was far from easy. "There was a long time between contacting prospective clients and actually getting paid, but I started to make progress with potentially longer-term clients as I gained experience and confidence," he says. "It's been really tough, but also very satisfying. I'm working harder than I ever have before, but I'm very happy with that."

Neil Chapman was working as a taxi driver when he met Agency Express – which has a national network of board erectors for estate agents – at the 2012

British Franchise Exhibition in Manchester. Soon afterwards he became one of its 114 franchisees.

"I felt ready for a new challenge," he explains. "Having been self-employed for many years, I knew of the uncertainties that starting a new business could bring. A franchise opportunity appealed to me because of the high levels of support and the increased rate of success it promised."

The work suited Chapman perfectly, but it was still a steep learning curve. "I'm not a natural salesman, so I knew this would be something I'd need to focus on while training," he says. "Meeting estate agents with the team

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**Victoria Webber, Bluebird Care franchisee**

was invaluable. Signing up my first self-generated customer really gave me a great confidence boost."

Given the quality of the training that Agency Express provided, Chapman says he's not surprised the firm has won two BFA HSBC Franchisor of the Year awards.

#### Suit yourself

Tony Carr had held senior jobs at high-street clothing retailers Topman, Burton and Next before becoming a franchisee of tailoring firm Suit the City in 2013. He describes the move as "a lifestyle choice, really. I found myself in a position, financially at least, to retire aged 48 and thought: 'I no longer want to be driving around the M25 at 6am every day.' This franchise enables me to work whenever I want to. It also appealed to me that the company was at an embryonic stage, meaning that I could perhaps help to shape the business more than I might otherwise have been able to."

Victoria Webber became a franchisee of Bluebird Care, an agency providing home care services, in 2013, having had negative experiences of the industry after a member of her family fell ill. "Franchising has worked for me because, in essence, it's a business in a box. It was exactly what I, as someone starting young with little experience, needed in order to succeed," she says.

Webber now has contracts for three Bluebird Care franchises in Lincolnshire. Her work overseeing the first UK trial of a new assistance technology saw her shortlisted for the BFA HSBC Young Franchisee of the Year award, for franchisees aged 30 or under. She extols the virtues of attending franchising exhibitions and other events in order to get a better feel for what's "out there" and to find the franchisor that you feel best matches your specific skills, circumstances and aspirations (see panel, right).

Franchising is clearly not without its risks, so the need to conduct thorough research before taking the plunge as a franchisee is paramount. The due diligence process should include market research – including benchmarking the target company against its competition – and talking to its existing franchisees. Questions for them should concern the quality of training and support that they receive, along with how the

franchisor approaches key issues, such as responding to market trends, promoting the brand and complying with relevant legislation.

Any franchising contract should be scrutinised thoroughly on your behalf by an independent adviser. A document of this type tends to be "laden with clauses concerning franchise fees, profit percentages, marketing investment commitments per month or quarter and so on. There's a danger of finding further down the line that it doesn't actually offer the freedom you were hoping for," Lucas warns.

"I've seen situations where franchisees didn't realise that they couldn't terminate an agreement without the franchisor's consent within a five-year period and were contractually obliged to continue paying fees over that term."

Williams is a big believer in maintaining cordial franchisor-franchisee relationships. "Trust is essential, so meeting face to face with a franchisor at an early stage can help you to avoid wasting time," he advises.

Patience and tenacity are qualities that every successful franchisee needs, according to Chapman. "You need to accept that there will be times during the start-up phase when the rewards seem slow in coming," he says.

Carr also warns would-be franchisees to "expect a tough start. You can't flick a switch and expect money to start rolling in. Expect to be the chief cook and bottle washer – and expect the time you allocate to each of those duties to change as time goes on."

Franchising is very far from being a soft option. But it's one that is clearly attractive to a growing number of industrious individuals who wish to unpack a new enterprise and run it in a supportive environment according to a proven business model – in effect, entrepreneurship with stabilisers.

Carr argues that treating a franchise as your "baby", in the same way as you would a business you've created from scratch yourself, will reap dividends. McGregor agrees, urging franchisees: "Don't let the obstacles get you down and never give up."

The rewards, he stresses, will come to those who are ready and willing to "put in a huge amount of work, be thick-skinned and stick to the system".



#### Franchise expos

If you're thinking about entering the sector, franchising exhibitions hosted throughout the year in London, Birmingham and Manchester offer more than networking opportunities with franchisors and franchisees. Bankers, accountants, solicitors and other professional consultants will also be there to offer guidance to potential franchisees. Free one-to-one consultations will be available with seasoned experts in a range of fields.

An eclectic mix of businesses exhibit at these events, with offerings ranging from home maintenance and business consulting to car repairs and children's activities. Crucially, all of them must prove to the British Franchise Association that they operate a viable franchising model before they can take a stand.

The next National Franchise Exhibition will be held at the Birmingham NEC on 13-14 October.

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