

*Scotland's Number 1 Franchising Solicitors**



Franchising

Key Questions for Franchisors



Wright, Johnston & Mackenzie LLP

*Chambers' Guide to the Legal Profession 2008

302 St Vincent Street, Glasgow, G2 5RZ. Tel 0141 248 3434 Fax 0141 221 1226
40 Torphichen Street, Edinburgh, EH3 8JB Tel 0131 221 5560 Fax 0131 221 5570

Web Site www.wjm.co.uk

Email to enquiries@wjm.co.uk



Franchising FAQs for prospective franchisors

Eight things to think about before franchising your business...

1. Is franchising the right route for you? Have you considered all the alternatives and made an informed decision to get into franchising?

If you are looking to expand, there are many routes you can take: new company-owned outlets, appointing agents or distributors, appointing licensees, and franchising to name but a few. Each of these has different costs and benefits. Getting into franchising can be very rewarding, but it needs time and commitment to do properly.

2. Is your business suitable for franchising?

Not every business is right for franchising. It's worth speaking to someone experienced in franchising to assess whether your business is the kind of business that can be replicated as a franchise easily.

3. Do you have well-structured business systems that can be taught?

Often, a great deal of the value of a business is locked away in the heads of the owner and managers. The challenge in develop a franchise is to take that accumulated knowledge and experience, and systematise it in a way that can quickly and easily be learned, understood and put into practice by a new franchisee who may have little or no previous knowledge of that kind of business.

4. Do you have a training programme for new franchisees, and a comprehensive operations manual for them to use?

These are essential parts of the package franchisees will be looking for. The more comprehensive and professional your training programme and operations manual, the better.

5. Have you properly protected your trading identity (your brand, trading name and logos)?

Franchisees value a well-protected and well-known business brand: often it's a major reason for them buying into a franchise rather than starting up on their own. Properly protecting your brand by registering trade marks gives franchisees reassurance that the brand they buy into will serve them well.

6. Have you operated a pilot franchise?

The British Franchise Association recommends that all franchisors should run a pilot operation, ideally for a few years, to prove the business will work well as a franchise. Running a franchise network is a different kind of enterprise from running your own existing business, and you will need to learn how to be a franchisor. Operating a pilot allows you to iron out any problems in advance, and also gives a realistic basis for the financial projections you will provide to prospective franchisees.

7. Are you ready to make the commitment to your franchisees needed to make franchising work well for you and them?

Like dogs, franchisees aren't just for Christmas. Being a franchisor is along-term commitment, and the future success of your business will be tied up with the future success of your franchisees' businesses. You will need to commit considerable time and resources to the franchising relationship to make it work, and be prepared to provide worthwhile ongoing support to your franchisees.

8. Do you have effective franchise contracts?

You need to ensure that your business is properly protected against under-performing franchisees. Effective contracts with your franchisees are essential, whether to protect your trade secrets while talking to a prospective franchisee, operating a pilot scheme, or for the full franchise relationship.

WJM can help you answer these and any other franchising-related questions. Please feel free to contact our specialist franchising team for more information.

Contact Angus MacLeod: agm@wjm.co.uk

