

New year, new venture

by Linda Whitney

STARTING a business is a popular New Year resolution. But there is more than one way to do it. You could set up in business by yourself, or you could consider a franchise.

A franchise is often described as a way of being in business for yourself, but not by yourself.

A company with a tried and tested business idea (the franchisor) sells you (the franchisee) the right to run a business using its name and business format.

Many of the best-known business names are franchises, including lettings agency Belvoir Lettings, health insurer WPA and mobile tool sales business MAC Tools.

'Franchising offers the same opportunity to run your own business and be your own boss as going it alone, but under a more secure and proven system,' says Tom Endean, of the British Franchise Association (BFA), the franchise industry's self-regulatory body.

BFA surveys show that more than nine in ten of all franchisees are profitable after two years. In comparison, four out of five non-franchise business start-ups fail within a similar period.

With a franchise, you get the benefit of a business idea that has



FORMER software salesman John McGill, 42, (pictured with son, Christopher, six) now runs a ComputerXplorers franchise, providing ICT classes to children.

'My job was under threat and I saw an advert for the franchise. It fitted my interests and expertise, so I started researching franchising immediately,' says John.

'Investing in a "business in a box" made sense because I wanted to hit the ground running, and the statistics for failure among independent start-ups frightened me. The failure rates for franchises looked more palatable.'

John has been running the franchise from his home in East Kilbride for more than a year, delivering after-school sessions in subjects such as movie-making, clay animation and robotics. He advises others considering franchising: 'Research it thoroughly and make sure your family is with you.'

'Do some market research yourself. I called decision makers in my market and they were happy to tell me if there was a strong market for the service in my area.'

ComputerXplorers franchisees work from home and need no teaching experience. Initial investment is £10,000 (total investment is £29,500).

already been tested, plus training in running the business. Franchisors can provide a level of marketing unaffordable to many start-ups, and you start off with an established business name.

You do not usually need any experience in the franchisor's sector. Berkeley Harris, of health insurance franchise WPA, says: 'Our franchisees come from all walks of life. We do not require a background in financial services or the

healthcare sector, but you must be positive — a glass-half-full person. The rest we can teach you.'

WPA, which is a member of the British Franchise Association, is looking for more franchisees. The initial investment of £7,500 reflects its not-for-profit status and includes training, a laptop, web presence, literature and business cards, as well as mentoring.

In addition, you must put up a £2,500 fidelity bond, designed to

guarantee customers are treated fairly, which is returnable when you sell your business or retire. Unlike most franchises, there are no extra monthly fees.

Setting up in business with a franchise can cost anything from under £10,000 to a six-figure sum.

The Splat Cooking franchise, which involves running cookery workshops for children, families and adults, plus offering cookery parties, requires a £6,350 investment. In

FRANCHISE DIARY 2011

FEBRUARY 18-19: The Franchise Show, London.

MARCH 18-19: British & International Franchise Exhibition, London.

JUNE 10-11: British Franchise Exhibition, Manchester.

SEPT 30-OCT 1: National Franchise Exhibition, Birmingham.

■ More details: thefranchise.show.co.uk, franchiseinfo.co.uk

return, you get business training, a food hygiene course, lesson plans, a launch campaign, ongoing marketing help and kitchen equipment worth more than £1,300, including a KitchenAid Mixer.

Starting in business with a franchise that has a track record can often mean that franchisees find it easier to borrow start-up capital than entrepreneurs who start up in business alone. Established franchisors often have links with bank franchising arms, and the right applicants can usually borrow up to 50-70 per cent of the total investment.

As well as initial fees, franchisees usually pay monthly fees — typically around 11-12 per cent of turnover — to the franchisor in return for training, product development, management services or marketing.

■ *Belvoir Lettings, 01476 570 000; WPA, 01823 625 120; MAC Tools, 0114 291 7266; Splat Cooking 0870 766 8290; ComputerXplorers, 01530 513 308; www.thebfa.org*