

How to make a Franchise Business Work for You

Chris Griffin, WSI

How would you define a franchise to someone considering their options in terms of business start up?

My definition of a franchise would be something along the lines of: A franchise is a proven business model whereby the franchisor, the owner of the franchise, enters into a continuing contractual agreement with another business owner, known as the franchisee, which allows the franchisee to operate under the franchisor trading name.

Most franchises provide ongoing support and back-up in exchange for a management service fee often referred to as a 'royalty' payment. A franchise gives you the opportunity to run your own business but very much using a proven business model which has successfully worked for other people.

Why did you decide to go down the franchise route?

Having spent my career spanning 33 years in a corporate environment as a lending banker, when my then employer decided to rationalise its UK operation I had the choice of either doing another role within the bank that I did not wish to do or take a package. Having decided fairly quickly that I did not wish to spend the rest of my working life doing something I did not enjoy, and therefore making the decision to take the offered package an easy one, I had to sit down and decide what exactly I did want to do.

I started out by trying to analyse my own skills, strengths and weaknesses and did this so that I could more readily see what transferable skills I had, if I decided to move away from banking altogether. In truth the banking world had changed significantly in the last few years and I had always admired people who had the confidence and ability to run their own business. The appeal to me of running my own business was strong, however due to my cautious banking background I needed to find a business that would firstly provide me with the challenge and motivation to succeed and secondly I wanted a business that had a proven track record and had some support and back-up mechanism to help me when needed.

After several weeks thought and research I decided that buying a franchise might be the way forward for me, and it was then just a question of finding which franchise best suited what I wanted to do.

Why did you select WSI?

As I said previously I was keen to try and find something which I would both enjoy and which would also effectively use the skills I had acquired during my banking career. As a senior manager in banking the most enjoyable part of my job was helping businesses to grow and succeed and I was able to do this by giving financial support and guidance to allow them to expand and grow in line with their business aspirations.

I also spent much of my time, particularly during the last 10 years of my career, managing a sales team or a relationship management team, all of whom were targeted to generate new business for the bank.

As I also said before, the nature of banking had changed considerably during recent years which meant that I was also looking to find a franchise with a good future or in other words a franchise that offered a product or service that was likely to have a continuing demand, almost recession proof.

We bought our franchise back in 2005 by which time the internet had become firmly established as a new media channel and it was obvious to me that the internet was here to stay and that more and more businesses would start to see the internet as the primary marketing channel for their products and services.

WSI was already ranked the No1 Internet Consultancy Franchise in the World by Entrepreneur Magazine and had been the World's No 1 Internet Consultancy Franchise for several years previously. I was pretty confident about my business acumen and sales and marketing skills but had little by way of technical skills and knowing that the technical support would be provided to me by WSI was another major factor in my decision to buy a franchise with WSI.

What was the due diligence process like?

Good question and one that needs to be considered by any potential franchisee. Having submitted an initial email enquiry to WSI which is headquartered in Toronto in Canada, I was sent a comprehensive information pack which gave me a lot more information about the franchise and the scope of internet related activities that I would be able to offer my own clients should I decide to progress my application.

Once I had gone through the Information Pack thoroughly and gained enough information to want to know more, I contacted the franchisor again via email and this triggered a series of lengthy 1 to 1 telephone conversations between myself and a member of the WSI Franchise Development Team.

I had a weekly telephone call lasting at least 1 hour for 6 or 7 weeks and whilst the telephone call had a pre-determined agenda from the franchisor's point of view, I was able to ask any questions I had as and when they arose. Due to my banking background one of my key areas of concern was the financial stability of the franchisor and this initially proved to be something of a stumbling block as we were told that WSI did not provide any financial details to potential franchisees.

Another potential downside with WSI was the fact that it is headquartered in Canada and is not a member of the British Franchise Association. All sources of good advice re franchising tend to recommend that you choose a franchise that is a member of the British Franchise Association.

Despite these two negatives I was heartened to learn that there were already in excess of 200 franchisees here in the UK and I arranged telephone conversations with 3 of them, one of whom was kind enough to invite myself and my business partner to meet with him at his office. That franchisee told me that he had taken a loan from a bank to help fund the purchase of his franchise and the good news for me was that the bank who lent him the money was a bank I had worked for, for 23 years! I made one or two calls to former bank colleagues and was able to gain the financial information I needed about WSI that way – through the back door if you like. If I had not been able to get the financials for WSI to check that my investment was a good one I probably would not have gone ahead with them. I needed to know that I was investing in something with a future not in a business that was about to go bust!

The strength of the WSI franchise for me at least is not just the technical support, the genuine internet marketing expertise or the huge product range I have available to help our clients, it is the quality and ability of the existing WSI franchisees. This is what finally clinched my decision to buy my franchise.

What was your biggest pleasant surprise?

My biggest pleasant surprise was definitely the willingness of other franchisees to share best practice and their success stories with us. Coming from a highly competitive industry like banking where every other banker I met was viewed as a threat, this was a real breath of fresh air.

Initially we had a lot of help from other WSI franchisees here in the UK but subsequently also from WSI franchisees throughout the world. There are regular local franchisee meetings where help and support is freely sought and given and there seems to be a genuine desire for everybody to succeed in their own franchise business.

Whilst initially I was a little disappointed that WSI did not give individuals a dedicated patch, in practice this has never been an issue and we have never yet found ourselves in direct competition with another WSI Franchisee for any particular piece of business which is remarkable considering that there are at least 15 other WSI people within a 20 mile radius of ourselves.

WSI have a genuine commitment to our ongoing training, even more so now than when we started 5 years ago. It is compulsory for us to attend a minimum number of internal and external training courses each year, otherwise we risk losing our franchise.

WSI is almost paranoid that we keep ourselves up to date with the latest developments in a rapidly changing environment, and to its credit now facilitates our education by attracting the industry's top professionals to our annual conference and other training events.

What was your biggest unpleasant surprise?

I wouldn't necessarily say it was an unpleasant surprise, but our final week's training prior to our certification in Toronto was a bit disappointing in terms of its content. We had expected to be shown practical examples and taught new technical skills to better help us succeed in our new franchised business.

What we actually received was a series of presentations from authorised suppliers to the WSI market place pitching their products and services to us! I would say in honesty that we probably committed well in excess of \$2,000 to buying products and services that did not prove to be worthwhile to us. Not so much because the products and services themselves were poor but because at that stage we did not have the knowledge and ability to make the best use of them.

There was little or no training given to us about running a business for example. In my corporate life I had the luxury of a HR department, a Finance Department etc – now it was down to my business partner and myself to do everything. We had never completed a VAT return or done PAYE, which accounting software should we use – we were very much left to fend for ourselves with these and other business admin type issues. – it was a very steep learning curve and whilst it would have been easy for us to go gung ho for new business it was critically important to have proper systems and procedures in place first.

If you started again what would you do differently?

One thing I would definitely do differently would be to take a much more considered approach to spending money, particularly on things like lead generation. In the 5 ½ years or so that we have owned our WSI business I am embarrassed by how much money we have wasted on lead generation and other things that has produced little or no tangible business for us.

One of the presenters at our initial training in Toronto was the preferred lead generation partner for WSI and like all other new franchisees present at the training we signed up for an initial batch of 10 guaranteed leads for the princely sum of \$1,500. What we did not appreciate at the time was that the 'guarantee' was that these people would meet with us but the lead generation company had made absolutely no assessment of any business need or appetite for our services, they had simply offered a 'free internet business analysis' and all these leads and indeed many subsequent leads turned out to be nothing more than people looking for a free internet consulting session.

If anyone listening to this is considering buying any franchise which involves consulting of any type I would say just be aware that it is very easy to give your wisdom away for nothing if you are not careful.

What would you look for in a franchise?

If you are looking to invest your own hard earned cash into a business then you really need to make sure that you are buying something that has a sustainable market or a future . The franchise that you buy should have been established for a reasonable length of time and ideally it should be a member of the British Franchise Association and have readily available financial information to give potential franchisees the confidence that they are making a worthwhile investment.

I would also look for the franchise to offer me the opportunity to do something that I enjoy doing and also something that will provide me with an income in line with my expectations and needs. We looked at several franchises prior to deciding on WSI and one of the issues that came up time and time again was the relatively modest return on your franchise investment offered by many franchised businesses. All franchises will have both good and poor performers – it is a question of trying to establish what can reasonably be achieved by a competent franchisee and this needs to be enough to cover your own overheads and provide you with the standard of living you want.

What are the key success factors for a franchise?

Buy a franchise that suits your skills and allows you to spend your day doing something you want to do! Buying a franchise that sells products and services that you either know about or are enthusiastic about is also essential.

If you do not like the smell of pizza you should not buy a pizza franchise! You must also remember that your franchise is hopefully going to be a long-term business that will have a saleable value when you decide to move on again or retire. You need to have self belief and drive to ensure your success.

If you do not believe in yourself and your own abilities you will never convince others to buy from you.

You also need to have belief in the products and services that you are selling and be proud to represent the brand that you are buying into.

What would your top three tips be for someone looking to buy a franchise?

Firstly take time to establish just what your own skill set is. Do a SWOT analysis on yourself and also take the time to decide what you want to do with your life.

Secondly research the franchisor and the market potential for the goods or services that you would be selling as a franchisee - how recession proof are your products or services, is there an existing and future demand?

Do you have an existing network of contacts that you can approach and are they likely to buy the products or services that you will be selling?

If you do not have an existing contact base no matter how good your products or services are, you will have an uphill struggle in making a success of your franchise.

Lastly, find out what the failure rate is for people who have bought the franchises you might be interested in and if possible find out the reasons for their failure – often the British Franchise Association will be able to help you with these issues.

*At the end of the day the bottom line is that **you** will be synonymous with the brand of the franchisor, you must be extremely positive and totally convinced about the value of that brand yourself before you start to think about selling the brand to others.*

Chris Griffin
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