

When the going gets tough, the smart start franchising

Recent events in the financial and housing markets are proving once again that franchising is made of 'the right stuff', says Franchise Consultant Tony Urwin



I remember when British homes were gold mines, loans came free with the Sunday papers and the economic mood was a rosy shade of pink. Those were the days, all right. Sadly much has changed since August, when we too caught America's financial flu. What sounds like a breakfast cereal for bankers, 'Credit Crunch' is the name of the pernicious bug that has weakened our banks and building societies, and which is now working its way through the rest of the economy.

House prices have stalled, borrowing has become harder and more expensive, and business journalists are using dirty words the likes of which cannot be printed in this magazine. Clearly, we have to start thinking about boosting our immune systems.

Some companies are more vulnerable than others but most will simply carry on: especially those that have franchised. The usually circumspect Bank of England has frankly warned us to expect "slowing growth and rising inflation", a cheery combination. Earlier interest rate hikes and the banks' increased risk-aversion are starting

to bite, and the real estate market has been the first to suffer (perhaps a little justice for the legions who were excluded from the party).

Our national press has spared no adjective in reporting the situation, leading consumers to keep their £20 notes rather than spending them. In fact, fear may well play a bigger factor in the coming months than the cost or availability of credit. Let's look at making this economic climate a whole lot less scary.

First, what is really going on here? Inflation may be biting into disposable incomes and bad news may be discouraging profligate spending, but old habits die hard. It will take a lot to reduce our appetite for consumption, especially when there is still high employment. A company with a strong product or service offering and a competitive edge will find a ready market, as well as the rewards that come with expansion. And that brings us to the true challenge for businesses today: financing expansion and managing risk in a climate of uncertainty. The cost and difficulty of securing large loans and the risk associated with opening and operating new locations have become prohibitive. Research and experience show that franchising is the most viable solution for businesses looking to expand across the country.

In franchising, a company licenses its trademarks, know-how and proven business methods to others in exchange for an initial fee, a percentage of gross sales or profits, and some annual fees. Franchise buyers secure the premises, materials and labour required to run the business and then launch and grow the business under the guidance of the franchisor.

The total cost of franchising your business could be significantly less than that of purchasing, equipping, staffing and launching a single high-street retail location

It is a win-win proposition: the individual enjoys owning and operating what is likely to be a profitable business with good prospects for success (with the invaluable support of the franchisor). The franchisor rapidly grows its brand and business at a greatly reduced risk and cost to itself (if not at a profit).

Under a corporate-led expansion plan, the company itself secures the premises, materials and labour requirements for each new location, and assumes all of the risk associated with each. The latter may work in a booming market awash with plentiful and relatively cheap credit, but it becomes unsustainable under the conditions we see today.

To be sure, franchising a business requires an important initial outlay. The concept must be refined and rationalised, infrastructure must be developed, legal documents prepared and initial sales, marketing and franchisee recruitment efforts launched. However, here is what may surprise you: the total cost of franchising your business could be significantly less than that of purchasing, equipping, staffing and launching a single high-street retail location. For less than the cost of opening a single location, you could adapt your business to profitably grow by dozens of new locations, relatively quickly. It is certainly worth a look.

Now is the time to start planning ahead. If you are looking to expand, or to continue expanding and are not yet franchising, I encourage you to do so today. 

FURTHER INFORMATION:



Tony Urwin is the Regional Director of FDS Northern and is a British Franchise Association Affiliated Franchise Consultant with eight years' experience helping Northern franchisors to develop fair, mutually beneficial franchise systems.

Call Tony on: **0161 926 9882**

email: **tony@fdsnorthern.com**

Find out more about FDS Northern at:
www.fdsnorthern.com

EXPAND YOUR BUSINESS THROUGH FRANCHISING



If you're based in the North of England or Scotland and looking to franchise your business, contact FDS Northern to find out how we can help you achieve success.



For companies looking at franchising as a method of expanding their business effectively and profitably, FDS provides an intelligent evaluation of your potential for franchising and works with you to implement a carefully structured Franchise Development Programme.



FOR MORE INFORMATION CALL:

0161 926 9882

email: **tony@fdsnorthern.com**

web: **www.fdsnorthern.com**

For other areas of the UK call 01603 620 301