

Hamilton Pratt

Question & Answer

I am considering going into franchising in the new year and wondered what first steps I should take?



The first step is to take a long hard look at yourself because running your own business is completely different to being an employee. You will find that all your waking hours (and sometimes your dreams as well) will be devoted to thinking about your business, even when you are unwell you will still have to go into work and holidays, at least in the early years of your business, may be out of the question. Is this something that you and your family are prepared to take on? If the answer is "yes", you then move on to the next stage.

There are a large number of franchises out there covering a very broad range of business activities. If you do not like being outside then the lawn treatment franchises are unattractive. If you do not want to drive a van then distribution franchises may also not be for you. In other words you need to obtain as much information about what is out there – this information can be obtained through magazines, websites and attending franchise exhibitions. You would then narrow your search to those areas which are of interest to you and you would seek information about the franchisors in those areas. You should treat the information that is provided with care – that is not the same as saying that franchisors will tell you untruths – because, of course, franchisors want to recruit franchisees and will be painting a rosy picture of their business. What this means is that once you have established what franchise you would like to take and the franchisor has indicated that he would be interested in taking you on as a franchisee, you must undertake what is called "due diligence" which means that you need to check that what the franchisor has said to you is correct. You have to obtain details of all of the franchisor's other franchisees – and not simply the two or three that the franchisor would like you to talk to. You also need to establish whether the franchisor is a member of the BFA – most reputable franchisors are – and generally talk to the franchise units of the banks to see if they would be prepared to lend if you were to be a franchisee of your chosen franchise.

Taking a franchise is too important a decision to rush and so by all means become excited at the prospect of owning your own franchised business, but don't let that excitement prevent you from moving with all due care and caution. Certainly, if a franchisor has tried to rush you into taking his franchise then that should sound a very loud warning bell.

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