

Franchising for the over 50s

A PRIME report and guide

FULL REPORT



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President: HRH the Prince of Wales. The PRIME Initiative was set up by the Prince of Wales to help older people rejected by the labour market find a way back into work via self-employment or setting up a business. PRIME is now a wholly-owned subsidiary of the charity Age Concern England and a registered charity itself - number 261794-2.

Copies of this franchising report and a shorter 10-page Executive Summary can be obtained by downloading them free of charge from www.primeinitiative.org.uk, or by contacting PRIME on the above phone number.

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Whilst recognising the support provided, the conclusions and recommendations in the report are solely those of PRIME, and do not necessarily represent the views of the CREATE project, or of PRIME's parent the charity Age Concern England, or of other organisations that work in partnership with PRIME.

Finally special thanks to all the individuals - nearly a thousand of them, who gave up their time to be interviewed for this report's surveys and case studies. Without them and their willingness to do something to improve the opportunities for other older people in the world of work the project would not have been possible.



Executive Summary

This report explores how well franchising fits the needs of people aged over 50 who want to set up in business. It seeks to raise awareness of the issues involved in starting a business as a franchisee, and to help people avoid some of the pitfalls by learning from the experience of others. So it has a practical rather than academic purpose.

On the face of it franchising fits the needs of the people in their late 40s, 50s and 60s well. They are buying into an existing business, so they should be able to assess the risks and get up and running more quickly than if they started from scratch. When the time comes to wind down or retire, theoretically it should be easier to find a buyer and realise the value that has been built up than with an original one-off business.

This report therefore uses interviews and other research techniques to cast light on the pros and cons of taking up a franchise later in life.

Our primary research consisted of four questionnaires, aimed at four distinct groups.

- Poll 1 was aimed at existing franchisees in our target age range, and yielded replies from 13 people currently running businesses as franchisees.
- Poll 2 sought the views of those known to be actively considering franchising, and produced 32 responses.
- Poll 3 targeted business advisers working for organisations in PRIME's partner network - the sort of adviser who might be required to assist older people considering franchising, and yielded 73 valid responses.
- Poll 4, which was actually done first, was an exploratory poll aimed at active members of the older public who might conceivably be interested in franchising. It received 823 responses.

The sample used for Poll 4 was not intended to be statistically representative of the older general public, but was purposely biased towards those in the over-50 age group more likely to be interested in self-employment and starting a business.

Full results from all four surveys are contained in the appendices to the full report, along with details of the samples and methods used. In-depth interviews with 10 franchisees selected from the respondents to Poll 1 and 2 are presented as case studies in Chapter 4 of the full report.

Scope and limitations of this study

It is important to make clear that this study did not look into the whole off-the-shelf business opportunities market. Instead, by concentrating on business-format franchising, it has resulted in a focus on the top end, in terms of both entry cost and the quality of the propositions on offer.

PRIME believes further research is a priority into other options that have lower entry costs, such as party-plan selling, network marketing and other kinds of direct selling and home-based business - including the more proven online contenders.

However, many of these carry a higher risk level than franchising, and you generally have less information at the time you get involved. PRIME is concerned that the search for a low-cost business will lure older people into the jungle of work-from-home and "make money while you sleep" schemes. These carry different risks that need to be fully understood and evaluated at the outset.

Franchising is an appropriate solution for some over 50s

The good news is that PRIME found few signs of age discrimination or ageism in franchising. This means that proper business-format franchising is one of the few "solutions sectors" truly open to older people. There may still be issues of access to do with cost and the number of good franchises available. But franchising does deserve to be on the list of options supported by PRIME, because age - at least for those in their 50s, does not seem to be much of a barrier at all.

Franchisors mostly seem well-disposed towards older applicants, and value qualities that often come with age - for example experience, a mature attitude to customer service and an ability to follow established procedures - not to mention possessing an accumulated stock of capital. If anything the emphasis on these factors tends to discriminate in favour of older people.

Franchising can potentially offer a sustainable livelihood for the final ten or twenty years of working life. It is certainly worth considering as a route into business, especially for the over 50s.

However, franchisors also want energy, an often-substantial investment and compliance with their own way of running the business. Indeed, aspiring franchisees often have to get through a demanding and competitive selection process before they can buy the franchise they want, so franchising is not without barriers of its own.

The best franchisors are highly selective. This is a good sign (better than the franchisor just taking anyone's franchise fee, overselling territories and undermining their existing franchisees' profitability), but it does mean the level of drive and sometimes experience required is high. Franchisees generally have to be willing to follow procedures devised by someone else.

Attitudes towards franchising vary

In PRIME's survey of older members of the public, over two-thirds of those thinking of starting a business or going into self-employment said they would consider a franchise. Although the sample used for this poll (Poll 4) was not statistically representative of the older general public, this ratio is unlikely to be greatly affected by the way we selected the participants.

However, the poll also showed that many older people rule themselves out for franchising because they do not want to follow other people's rules any longer, or because they do not want to risk their life savings. Others rule themselves out because they simply feel it's time to wind down.

For people saying they would consider franchising, support from the franchisor and the other members of the franchise network was very clearly the main attraction. Other popular reasons given were that the risk of failure was lower and that it was possible to get a franchised business going more quickly. Also mentioned by a significant proportion of positive respondents was the lack of other suitable jobs for people in their age range.

The most-cited reason given by those saying "No" to franchising was the initial expense, and the ongoing need to share the proceeds of the business with the franchisor. Many respondents wanted to develop their own business ideas, and gave that as their reason for saying "No".

Age and strongly age-related reasons were also mentioned a great deal by negative respondents. But we found the really significant decline in interest in franchising or starting a business did not materialise until people were in their 60s and 70s. As the franchisee case studies testify, many people in their 50s and early 60s are very committed to working and are still keen to start out on their own.

But the entry cost is a barrier to many

So if age itself isn't the barrier what is? The answer from many of our respondents was money, for significant capital investment is often required. Franchises need to be able to find not only their initial investment, but also enough to cover their business and living costs during the start-up period.

The average initial investment made by franchisees was around £42,000 according to the 2005 NatWest/BFA survey. The would-be franchisees that PRIME polled expected on average to spend over £30,000 before they could start trading, which was very close to what the established franchisees told us they had spent. While costs vary between sector and preferential finance packages are sometimes available, the investment sums required can be off-putting.

So people with insufficient personal wealth or problems accessing bank finance are likely to face difficulties getting involved in franchising. Although franchising can and does provide some of the over-50s age group with a livelihood, it is less likely to represent a solution to individuals facing multiple disadvantages. Franchising is not an option for those who cannot raise the necessary capital.

Franchising can make only a small dent in the big problem

There are only around 33,000 franchisees in the UK. This number has remained fairly stable over recent years according to the annual NatWest/BFA survey. If we allow for a 10% or even 15% annual turnover rate, that means there are only about 3,000 or at most 5,000 franchisee slots available each year. And that is for all age groups.

Now put this in its overall labour force context. There are at least 500,000 and possibly as many as 900,000 people in the UK over 50 and below state pension age that want to work but who are currently economically inactive (based on official Labour Force Survey data). To that needs to be added the many people currently in employment who are worried that they might lose their job because of their age.

Both these groups - the already workless and those fearing their present work will disappear, are potential franchisees. But there are huge numbers of them. So though it can help, franchising as a solution to the employment needs of the over 50s is dwarfed by the scale of the problem.

A quick return to work is often urgent and important

There is a major time issue for some older people, brought out in some of the franchisee quotes and case studies. If people over 50 have no other income then they are likely to be consuming their capital. Every month that goes by may be reducing what's left of the redundancy cheque, pension lump sum, legacy, re-mortgage or golden handshake. So the capital potentially available for the business is draining away on living expenses.

It is therefore vital that information and advice to help them find the right business is available promptly, or the opportunity to get a good franchise may slip away.

Support sector needs help to better promote franchising

Poll 4 showed that relatively few members of the older public would think of approaching enterprise agencies and the Business Link network for advice and guidance on franchising. So helping these organisations promote themselves looks like being a necessary step if they are to play a greater role in helping older people set up in business via the franchising route.

At the moment the biggest problem for enterprise agencies, Business Links and other support organisations in improving their services to potential franchisees is the relatively low volume of enquiries about franchising that they get. On average the business advisers we polled in Poll 3 helped 5.5 franchising clients each per year. Roughly a quarter of these clients were over the age of 50.

As far as business advisers' own training was concerned, we found less than a third of our respondents had received any on franchising or other structured business formats. But almost two-thirds said they wanted such training.

Apart from general business advice and training, enterprise agencies and other support organisations could usefully offer clients up-to-date information about franchising, including leaflets and guides from a variety of sources, event details and contacts. However, they are unlikely to do this without help.

PRIME feels business support organisations should take franchising more on board as an option. But we recognise it is likely to be a minor part of their mission, and few will have the resources to spend much time or money on amassing their own materials. So they will need encouragement and support if the position is to change.

Who should supply awareness training and pre-start support?

Relevant training and support are required if a greater number of older people are to be made aware of the franchising option, helped through the selection process and on into setting up a sustainable business.

Of course in business-format franchising the franchisors have a major responsibility for providing training once the franchise agreement is signed. But the replies we received from existing franchisees indicate big differences between franchisors in the quality of support and training provided. Most franchisor involvement occurs late in the process, after the franchise agreement is signed.

PRIME thinks there are three requirements for support at the early pre-start stage that can realistically be met, building on what is already being done:

- (1) Specialist franchise awareness training workshops
- (2) General business advice and training to make people enterprise ready
- (3) Provision of up-to-date franchise leaflets, guides and handouts.

Specialists are best placed to deliver franchise workshops

The most cost-effective approach is probably for franchise awareness courses to be delivered by specialist providers, with the general support agencies playing a sign-posting role.

For example, during the period of this study the British Franchise Association (BFA) was running one-day workshops with a number of partners including PRIME, while The Franchise Alliance (TFA) was running a series of three-hour evening "taster" workshops at different locations around the country. Feedback from Poll 2 respondents who had attended workshops of either type showed them to be well-received.

Business advisers in the support agencies need to be regularly reminded that programmes such as these exist, so they can direct clients to them if they are appropriate. There may also be room for more experimentation in how the events are promoted - for example PRIME uncovered some good franchisee candidates attracted by posters in pubs, churches and even on ferries.

Support sector best for general business advice and training

Where the support organisations such as PRIME's partners can make a major contribution without having to invest heavily in building a new capability is in supporting the would-be franchisees' non-specialist needs.

Poll 4 showed that potential franchisees are little different from other people starting a business in what help they say they want. What both groups value most is assistance with preparing their business plans, guidance regarding sources of finance and an opportunity to talk their business ideas through with someone personally.

If we look at the answers from those in our large Poll 4 sample who also said they were considering franchising, the top 10 answers in order of popularity were as follows.

Top 10 support requests from would-be franchisees:
1. Preparation of business plans
2. Guidance regarding sources of finance
3. One-to-one discussion of business ideas
4. Guidance as to suitability for self-employment
5. On-going business mentoring
6. Business training
7. Training in market research
8. IT training
9. Opportunities for group exploration of business ideas
10. Vocational training

The top three answers - help with preparing the business plan, with finance and talking the idea through, were well ahead of the others.

In Poll 2 we asked would-be franchisees the open question "What sort of advice would be most useful to you now?" These respondents were generally much closer to taking up a franchise - or in some cases had already started trading. Their two most-requested areas for help were bookkeeping and accounting, and sales and marketing.

Polls 1 and 2 revealed something else important about the training needs of older franchisees, and possibly older business starters generally. The respondents fell very clearly into two camps - those with lots of relevant small business experience, and those with virtually none. Few fell in the middle.

People do not become more alike with age. In fact differences often widen as more experience accumulates. People are strongly influenced by what they spend their lives doing. This aspect of age is often overlooked, and means a one-size-fits-all approach to training and support may not work.

So it is likely that individuals will either have been doing something that gives them relevant small business experience, or else something entirely different that does not. Therefore by the time they get to their 50s they are likely to have either clocked up a great deal of knowledge useful for running a business, or to know little about it with their experience lying in another sphere.

Summary of recommendations further research and action

The report concludes by suggesting actions that PRIME, its network of partners and other stakeholders could undertake to help more people over 50 successfully use the franchise route to set up sustainable businesses. It also indicates where further research would be useful to enhance our understanding.

Since there are 18 proposals, we list them below, together with the section number in the main report where they are discussed in more detail.

Immediate practical initiatives

1. Providing franchising material to business advisers - section 8.10
2. Providing mentoring as a form of franchisee support - section 8.11
3. Providing basic legal advice to would-be franchisees - section 8.12

Possible campaigns

4. Encouraging resale and recycling of one-off businesses - section 8.13
5. Improving regulation of franchising sector - section 8.15
6. Improving regulation of low-cost business opportunities market - section 8.15

Further research into franchising

7. Outcomes - section 8.2

A proper longitudinal study is needed into the fate of franchisees and their businesses.

8. Cost of franchising - section 8.2

9. Women in franchising - section 8.3

More women are taking up franchises. But why has there been this recent influx?

10. Job franchises and their implications - section 8.5

Job franchises (as opposed to management franchises) are generally the cheapest sort of business-format franchise. It may be worth looking at more case studies to see what the pros and cons are from the point of view of the owner/operator. The prospect of more jobs that were once done by paid employees becoming job franchises raises tax and policy issues for government that need to be understood. See section 2.3 for definitions of the terms used.

11. Representation of UK franchisees - section 8.14

Franchisees in the UK lack their own independent organisations. How does this compare with other countries where franchising is common?

Further research into neglected areas of the business-opportunities market

12. Low-cost business opportunities - section 8.4

There's an urgent need to research the kind of business opportunities that are available to people who can't afford a franchise. More detailed examples are enumerated below:

13. Trading schemes and other non-franchise selling businesses - section 8.6

14. Party-plan selling - section 8.7

15. Network marketing and multi-level marketing (MLM) - section 8.8

Older people hoping for an income in retirement are explicitly targeted in some schemes, making them of particularly worthy of investigation.

16. Online businesses, eBay - section 8.9

17. Online businesses, day trading - section 8.9

18. Online businesses, spread betting - section 8.9

Chapter 1

Introduction

1.1 Background and purpose

This report has a practical rather than academic purpose. It seeks to raise awareness of the issues involved in starting a business as a franchisee, and by learning from the experience of others to help people around some of the pitfalls.

It also investigates the perception of franchising among business advisers and older members of the general public, to help identify where there may be information gaps or a need for training.

PRIME is involved because older workers face considerable discrimination in the conventional labour market, so self-employment or starting a small business can be a way around the barriers of ageism. PRIME is a subsidiary of the charity Age Concern England. It exists to help such people set up in business for themselves.

On the face of it franchising fits the needs of the people in their late 40s, 50s and 60s well. You're buying into an existing business, so you should be able to assess the risks and get up and running more quickly than if you start from scratch. And when the time comes to wind down or retire, theoretically it should be easier to find a buyer and realise the value you've built up than with an original one-off business.

But there may be drawbacks too. Franchising has a reputation of being expensive, and you've got to find the right franchise in the first place. So maybe the advantages aren't quite so straightforward, or only available to better-off people. And there may still be risks, but perhaps in different places.

This report therefore looks into the pros and cons of taking up a franchise later in life, using interviews and other research techniques to cast light on them. We talk to older people who are actually doing it, and also explore the perception of franchising among business advisers and older members of the general public.

This report was commissioned as part of the CREATE project, which is part of Equal, a wider European Union initiative that is looking for new ways to combat discrimination and inequality in the labour market. Both are paid for by the European Social Fund, which therefore funded this report.

The aim of CREATE is "equal access to enterprise". It helps people, especially those from disadvantaged groups, with information and advice on self-employment - particularly via the franchising route.

So as well as putting the opinions of a large number of franchisees, would-be franchisees, business advisers and members of appropriate sections of the public on record, we hope this report will be of practical use - particularly to older people considering taking the franchise route and those who advise them.

There's a brief guide to franchising from the potential franchisee's perspective in the next chapter, and a glossary explaining the jargon you are likely to encounter in Chapter 10. More detailed checklists highlighting points to which people in our age group should pay particular attention are contained in the Appendices, along with contacts for further information and advice.

1.2 Method

To produce this report we've drawn on advice and help from a number of quarters.

We've conducted detailed telephone interviews with 10 established or recently-started franchisees. We used email invitations to get web-based questionnaires completed by 13 existing franchisees, and by 32 people who had recently attended franchising workshops and were therefore known to be actively considering franchising. Indeed, during the fieldwork period some of them went on to do so.

PRIME works closely with over 100 business support organisations around the country, and the business advisers working for these partner organisations were among the groups polled. We approached them by via their managers, via email or face-to-face, and received 73 replies in the form of completed paper or web-based questionnaires.

Finally we found out what a sample of the wider 50-plus public thinks about franchising. This poll was carried out in the traditional way, by approaching people face-to-face with a questionnaire and recording their responses on paper, and yielded 823 replies.

Much of the legwork of this latter survey was done by PRIME's six regional staff, who have also been running a series of 10 franchising workshops for the over 50s around the country. Some of the learning from these workshops has been incorporated in the report, but again the conclusions expressed here are PRIME's, and not necessarily those of any other workshop participants.

There's more about the survey method and any bias introduced by the samples used in the Appendices that deal with the particular polls.

Chapter 2

What is franchising?

2.1 The central idea

"Franchise" comes ultimately from the Medieval Latin "francus", meaning free. It thus has something in common with "enfranchise", to make free.

By the 14th century franchise had developed the meaning of legal immunity or privilege, and by the 15th that of the district over which a privilege extends. Thus you could have the franchise to mill corn in a certain village. We're already getting very close to the modern business meaning and the world of Snappy Snaps, Mr Clutch and Domino's Pizza.

Franchising certainly has a long history in the UK. The breweries developed the concept with their chains of tied pubs, although the licensed trade now lies outside the mainstream and is governed by its own specific legislation. In the US Coca Cola issued its first franchise in 1901, Kentucky Fried Chicken in 1930 and McDonald's in 1955.

Central to the idea of a franchise is that you are buying a right to something you wouldn't normally be able to do - trade using somebody else's name. Another common theme is that this right extends only to a certain area - the right to operate as Snappy Snaps or the Post Office in South Croydon for example. And within this area you may or may not have exclusivity - the right to stop others trading under the name.

Since we're talking here about buying certain rights, it's important to be precise. Exactly what you are buying is laid out in the franchise agreement or franchise contract. We'll go into what's typically in the franchise agreement more below, but first we need to head off some possible confusion.

As with many words of great age, "franchise" has acquired a variety of meanings. The licence to manufacture a particular product can be described as a franchise, as when Whitbread acquired the rights to make Heineken lager in the UK. You could also perfectly correctly refer to the right to produce James Bond films as a franchise, or to simply sell perfume or dolls under the name of some celebrity. Complicated multi-level marketing arrangements, some legal and others not, are also sometimes described or passed off as franchises.

So all sorts of licensing, agency and other distribution arrangements are routinely referred to as franchises. But they are not what we are concerned with here.

Instead we will concentrate on what is sometimes called "business-format franchising". It is the type of franchising most often used by new people to set up new businesses, or buy into existing businesses as proprietors in their own right. It's the equivalent in the modern era of becoming the landlord of a tied pub.

2.2 Business-format franchising

Here you buy not just a name, but also a format - an entire system for doing business. You get a blueprint covering all major aspects of running the business, often with step-by-step instructions. The procedures are normally laid down in a very detailed operating manual, which is referred to in the franchise agreement.

Note that once you've signed the agreement your compliance with the operating manual is usually obligatory, not optional. You probably won't have much freedom to introduce your own innovations or source your raw materials wherever you like, and you may have performance targets to hit. So business-format franchising isn't for everybody - you have to be prepared to follow somebody's else's rules.

The advantage of a good business-format franchise is that you get a tried-and-tested recipe for business success.

It also means that the customer gets not just a familiar product or service, but also one that's delivered in an extremely standardised way. When franchisees across the country all operate in the same way the effectiveness of the trading name, trademarks and other branding is multiplied.

Customers come to associate them not just with the core product or service, but a whole variety of other things that might affect their choice. For example, if the core product is servicing a car, the availability of a comfortable waiting area, clean toilets and a clearly itemised bill may matter a great deal to some customers. If they are happy with them they are more likely to be repeat customers at other outlets using the same trading name.

Conversely, if some franchisees can only manage uncomfortable waiting areas, dirty toilets and badly itemised bills it lets the whole network down. The trading name becomes a liability. Consequently franchisees who might be expected to see the operating manual as a restriction on their entrepreneurial freedom often become keen advocates of tight compliance, at least as far as other franchisees are concerned.

2.3 Job franchising versus management franchising

It's helpful to distinguish two varieties of business-format franchising, distinguished partly by cost but mainly by what else apart from labour the franchisee provides. In both varieties you set up your own independent business, and also acquire the right to trade using someone else's trade name and operating manual.

The cheaper form can be describes as "job franchising", where for example you clean carpets, measure up and fit window blinds or teach people to drive. Often with job franchising someone else provides most of your sales leads or customers, and you're unlikely to employ many staff apart from yourself.

Job franchises can be white-collar, with many in the accounting, IT and educational areas. But with all of them the main thing the franchisee is doing is providing the labour.

It's worth asking here what extra benefit you really get from buying into a franchise system, as opposed to for example going out and buying your own carpet cleaning equipment and van. If you're a driving instructor, should you go it alone, or sign up as a BSM or AA franchisee? It partly comes down to how valuable the brand is in getting you customers, and whether the franchisor gives useful training or backup.

The other variety of business-format franchising is known as "management franchising". Here you are running all aspects of the business, not just providing some of the labour, and you take on more of the responsibility of generating your own customers. Nursing agencies, lettings management and hairdressing franchises such as Toni & Guy are of this sort, along with well-know retail and catering franchises such as Prontaprint and Costa coffee shops.

There are even some franchise networks that include both categories. For example many ChipsAway franchisees have job franchises working as owner-operators from their own vans, while others have management franchises, running static car-care centres with a team of employees - and sometimes also a fleet of employee-driven vans.

2.4 Seven key franchising terms

Franchising has its own jargon, and there's a full glossary of terms you are likely to encounter in Chapter 10. However some terms are so important they need to be defined now, as they crop up again and again in this discussion and in what the people we've polled or interviewed have said to us.

Franchisor

The parent company that grants, usually for a fee and other charges, the right to use its trade name, trademarks and system of business operations.

Franchisee

The person or company that pays for the right to do business under the franchisor's name and system. They usually pay an initial franchise fee, then a royalty or service fee and other continuing charges earmarked for specific things such as advertising, rent or equipment.

Franchise fee

A one-off fee paid by the franchisee to the franchisor to buy into the system. The fee also helps pay for initial training and support - so a high fee ought to mean (though sometimes it doesn't) better training and support.

Royalty or service fee

A continuing payment to the franchisor, usually based on a percentage of turnover or profit and paid on a weekly or monthly basis. A fixed monthly service fee is also quite common, particularly for businesses in the service sector.

Franchise agreement or franchise contract

The contract that binds the franchisor and franchisee. See Appendix A1 for a guide to what's typically in it.

Franchising

The method of distributing products or services that involves one or more independent businesses - or franchisees, doing business using a name, trademarks and procedures granted to them by another company - the franchisor.

Franchise system

The full set of franchisor and franchisees for a particular branded range of products or services, for example Prontaprint or Mr Clutch. To the outsider it looks like one big company.

2.5 What does a franchise cost?

This is a classic "How long is a piece of string?" question, as it depends on the franchise. But we can give some indications of the initial investment.

The 2005 NatWest/BFA survey found the average franchise fee to be £15,600, with other costs bringing the total for starting a franchise to £42,200.

The average paid by the franchisees in our own survey was £29,000 up front, with very roughly an extra £5,000 to £10,000 on top for other costs during the immediate start up period, not counting their own subsistence.

Job franchises tend to be the cheapest, as they usually don't involve much in the way of expensive equipment or premises. This is the case with many of the car, carpet and oven cleaning services, or white-collar legal, accounting or educational services done mainly from home or the customer's premises.

But some job franchises require quite expensive specialist vehicles, stock or training, so the cost goes up - for example drain cleaning, automotive tools supply or driving instruction.

The case studies in Chapter 4 give some idea of how costs vary, but it's worth highlighting one example here to clarify the cost structure of a fairly straightforward job franchise. Toni Hamilton (see section 4.2) paid a £12,500 one-off franchise fee, and spent only around another £1,000 getting her home-from-home pet care business going,

Toni was fortunate that her existing car could meet the franchisor's criteria. Most of the extra £1,000 went on public-liability insurance - a recurring business expense she'll have to pay every year. She also pays a monthly service fee of 10% of her turnover to the franchisor Barking Mad.

Management franchises typically cost more than job franchises to get going, because you may need to spend more up front on items such as premises, equipment, opening stock, and even staff recruitment. There's a well-itemised breakdown for running a Cash Converter store at www.cashconverters.co.uk that can serve as a checklist for similar retail businesses.

But for any franchise the really important start-up cost that mustn't be overlooked is the franchisee's own living expenses while the business gets going. There's no salary coming in other than what you can take out of the business. It's very hard to estimate how long it will be before the business starts making you money. "I expected to take money out by month six", says Toni. "It hasn't happened. Be aware that for the first year you'll need some other income support."

2.6 Main cost elements

Before making a decision on a franchise you need to estimate as accurately as possible your total initial investment, as this is the amount you will have to pay or find finance for in some other way.

It's useful to go into what the main cost elements are, so you don't overlook any when investigating a particular franchise for yourself. Here's a fairly generic checklist under three headings.

(1) Payments to franchisor

- Franchise Fee
- Royalty or service fee. This can be based on a fixed percentage of sales, or of profits - which is usually more advantageous to the franchisee in the early days of the business. Sometimes there's an initial royalty holiday, or it's a calculated on a sliding scale. Or it can be just be a regular fixed amount
- Advertising fund or levy
- Training fee and/or subsistence while training

(2) Initial setting-up expenses

These vary enormously depending on the nature of the business, but may include:

- Equipment
- Premises, furniture, fittings and signs
- Staff recruitment (if needed)
- Opening stock
- Insurance
- Own launch promotion

(3) Living and running costs for whole start-up period

So far we've covered the relatively easy to quantify stuff, the initial investment.

But to this must also be added:

- Your own living expenses - don't forget that you need to pay yourself an acceptable salary.
- Your businesses bills (staff wages, raw materials, rent, rates, phone, electricity, etc.) throughout the start-up period.

This is sometimes referred to as your working capital requirement.

You need to find this from somewhere outside the business until such time as it breaks even and starts covering these costs.

Meanwhile the money has to come from somewhere - your savings or pension, a loan or perhaps a family member. This is the piece of the financial jigsaw that's frequently missing, and its vital importance is mentioned by many of the franchisees and business advisers we talked to.

This is why before deciding to go ahead you need to do a detailed business plan, including a realistic cash flow forecast. Be honest with yourself, challenging your own assumptions - particular those that underpin when you are expecting an adequate sales income to arrive.

Chapter 3 Age and its impact

3.1 What's the relevance of age?

Why is PRIME - a part of Age Concern, interested in franchising? Why is the age of the franchisee in any way relevant?

This chapter aims to put age into clearer focus, because it is one of those things many of us don't think about - until it is upon us.

3.2 Older people's position in the labour market

According to regular labour-force surveys carried by the Office of National Statistics every three months, there are always at least 500,000 and possibly as many as 900,000 people in the UK over 50 and below state pension age who want to work but who are currently economically inactive.

This may be for a variety of reasons, but age discrimination by employers is certainly one of them. Employment in a regular job gets less likely as you get older. Self-employment by contrast gets more likely - and self-employment is one of the few effective means of sidestepping ageism.

Not all of the older people wanting to work will have the right attitude, skills and knowledge for self-employment, let alone franchising - which requires a certain financial status in addition to other enterprising attributes. But if even a small proportion of them do then franchising may be able to help. That's the reason PRIME is investigating franchising.

3.3 Implications of getting older

So what issues may arise (both pro and con) for a person considering becoming a franchisee relatively late in life?

It is necessary to confront the question of age directly, and examine how older people may differ from younger ones in the world of work. It's helpful here to use a framework we've adapted from the Centre for Research into the Older Workforce (CROW) at the University of Surrey.

Rather than think vaguely about age it's better to examine its effects under three headings.

- (1) Ageing effects - the physical and psychological changes,
- (2) Generational attributes - the attitudes, skills and knowledge shared by a particular age cohort
- (3) Personal experiences - the accumulated attributes of a particular person.

It's worth sounding a note of caution here. There's always a risk of stereotyping when making generalisations, which is what we must do here to open up the issues. Our concern is to identify broad trends and probabilities rather than predict the characteristics of any given individual.

For researchers there's also a duty to investigate stereotypes rather than just repeat the favourable ones. So what follows is almost a catalogue of possible age effects, irrespective of whether they fit or don't fit any particular argument, so we are more likely to notice them if they show up in the data or in what people say.

Note that you could put "alleged" or "are said to" into almost any of these statements, but that doesn't mean that none of them are true. That's in the natures of hypotheses - and these are all hypotheses that we might expect to hear advanced about work and age.

3.4 Ageing effects and franchising

Let's start with some possible pros and cons of starting a new business such as a franchise later in life.

CON

Older people have less time left to work and to recoup the initial investment.
Risk - people are less inclined to take risks as they get older.
Fatigue - older people tire more easily, and absenteeism rates rise with age.
Physical impairments - age brings a rising incidence of hearing loss and problems with vision

PRO

Because they have less time older people may be drawn to franchising because it promises a quicker start than a go-it-alone business and a smoother exit path.
Risk-averse people may be more willing to follow an established format and comply with a franchisor's method.
Fatigue creates a need for a flexible self-directed work pattern, which self-employment and some types of franchise can offer
Physical impairments often force career changes on good potential franchisees who otherwise would have remained in the employed sector.

3.5. Generational attributes and franchising

Again, we're raising possibilities not making statements either way at this point.

CON

Attitudes - the 1960s generation are still hippies at heart and anti-business.

Skills - older people are weak on IT, text messaging and other high-tech tools.

Knowledge - they are out of touch with modern working styles and younger people.

PRO

Attitudes - older workers are hardworking, and good at understanding customers and dealing with them (the B&Q factor).

Skills - they were properly trained in era when education worked.

Knowledge - they have a lifetime of accumulated answers to draw on.

3.6. Personal experiences and franchising

A person's attitudes, skills and knowledge also depend on their individual experiences, not just the generation they belong to. But here age itself is a less good predictor.

This is because individuals can differ from the generation to which they belong. Indeed, the differences may widen as more experiences pile up. As CROW puts it "people do not become more alike with age".

For example, the experience of being out of work can leave a mark if it persists for a long time, as can the experience of being in a particular job or profession.

Here are some examples of the impact of age on individual experience that older potential franchisees might encounter.

CON

Training: the qualifications you have from 30 years ago may be out of date.

Insurance: some types may be hard to get once you reach a certain age - for example to do with repaying loans or undertaking arduous activities. While this is usually based on actuarial tables, as an individual you may experience it as discrimination.

Stereotype: the old are not up to it.

PRO

Training: older people are sometimes assumed to have the relevant skills and knowledge. For example if you turn up to do a skilled job people assume you know your craft because of your mature, experienced-looking appearance.

Insurance: sometimes a good track record is a distinct advantage, as with motoring insurance premiums.

Stereotype: the old are more responsible than today's youth.

3.7 The denial of difference

This is a phenomenon that, if present, can cause considerable problems for research. When talking to PRIME, people sometimes tell us they pay no attention to age - because they think that's what we want to hear, or that it's legally required. They may be describing what's actually happening, or they may not be - people's statements can no longer be relied on once they switch into this mode.

But if people are overlooking age in an unthinking way that may itself create barriers. For example, a franchisor happy or even eager to sign up older candidates may find few coming forward if they can't read the literature or hear what's being said at training seminars. Sometimes there's a need to actively make yourself accessible to the group you are trying to reach.

So in the case studies and survey results that follow please allow yourself to notice differences that might be associated with age. That after all is what we are particularly interested in.

Chapter 4

Case studies of older franchisees

4.1 Source of sample

In this section people who are operating franchises tell their stories.

The 10 people we interviewed were drawn from respondents to Polls 1 and 2, which contributed seven and three franchisees respectively.

The leads therefore come ultimately from people who first contacted the BFA, TFA or PRIME. We selected on the basis of their poll replies, not at random, to get a reasonable spread of different sorts of franchises and issues raised.

Even so, the case study sample probably does have a bias towards people working with better franchisors, since these are more likely to be BFA or TFA members. There's also a strong male and white British representation, but this may reflect reality among older franchisees, rather than a fault in the sample. There's more detail about how we contacted people in appendices P1 and P2.

4.2 Toni Hamilton Barking Mad franchisee

Finding the right franchise opportunity is often about finding something that appeals. After that, making it pay is the difficult part.

Toni Hamilton is a bubbly 54-year-old who lives in north Devon. Having spent many years fundraising for schools in South Africa, Toni came over to the UK three years ago to take up a new post in a private school, followed by a return to fundraising, but found herself wanting a change in career.

"I'd had 18 years' experience of fundraising and I was working on my own as a fundraising consultant until the middle of 2004," explains Toni. "By then, I'd had enough. I needed to get out and I didn't know what to do."

Looking for a complete career change, Toni did some research into franchising and attended a PRIME seminar. "I found the seminar really interesting," she says. "I'd looked up a bit about franchising on the Internet, but the seminar gave a lot more information about what to look for. So I then did extensive research on what was available."

The franchise Toni chose is called Barking Mad. It's a service where, rather than having to go into kennels, dogs are looked after by a selected local host family while their owners are away.

"I saw the Barking Mad details and I thought it was fantastic," says Toni. "I've always loved dogs and our own two dogs came over from South Africa with us, so I was really interested." Toni visited the head office of Barking Mad in Lancaster for an interview with franchisor Lee Southern in July 2004 and felt working with the company would suit her. "I came home and discussed it with my husband and friends and everyone said it sounded like me – Barking Mad – so I felt it was a good cultural fit," she comments.

Toni had a very clear idea of her budget, based on a legacy she had inherited from her late father. Her initial investment in the franchise was £12,500. "For me, that is a huge amount of money," she says. "I had £8,000 from my dad's estate, so I had to borrow the remaining £4,500."

She didn't have a many other large expenses, spending around another £1,000 to get the business going. Most of this went on liability insurance - a recurring business expense she'll have to pay every year.

But Toni was fortunate that her existing car could meet the franchisor's criteria - it was large enough to be easily adapted to carrying dogs, and was the correct silver colour to look OK with the required logo and lettering applied to it.

Having signed the franchise contract in August 2004, Toni says the first six months have been very hard work. "During the first week's training up in Lancaster, there were certainly moments when I was terrified out of my mind," she admits. "Even though I had run my own consultancy and done such a lot of charity work, this was very different and there have been ups and downs."

The upside has been that Toni loves the job and feels the franchisor has been very supportive. "This is the first time I have ventured into franchising and the system is all there for you. You just have to learn what to do and do the marketing and then get going," she says. "I thought the way I was shown the ropes in the first week of training was very good. And I am very glad to be working for myself. I'm a very independent person and I need to work for myself. From day one, I've enjoyed the work itself: going to see potential hosts and interviewing potential customers and the dogs, and matching up the dogs with the hosts. I like meeting people and I love dogs, so that has been real fun."

But Toni has found it quite tough to launch her business. "My territory is the whole of north Devon, which is a very extensive area and I haven't even managed to market to half my territory yet," she says. "But it is fortunate that there are other franchisees in the territories next to mine and we have networked extensively, which has been good. I've also had very good support from head office. The franchisor came down herself to help launch me and check out how I'm doing, and there is a financial officer and a PA there for us as well. I also find the systems she has devised are very good. There was no need to reinvent the wheel."

Toni is paying 10% of her turnover each month as a service fee. "The franchisor has created a very disciplined system, but it is straightforward and simple and I don't object at all to that 10%," she says. "I think we do get the support we need."

When she set up her franchise, Toni had a business plan based on financial estimates from the franchisor. She has found it hard to meet her financial targets. "I've been on target for a couple of months, but I've also been down and the bottom line is that this isn't just about having fun," she says. "I have to earn enough income to enable me to be independent economically, so I can pay my mortgage and the bills."

One problem was that Toni started her business in the summer and then found that business tailed off in the winter, despite her marketing. "Although there is obviously more business in the main holiday period, people also go away at other times, or may be sick or in hospital, so there is work to do out of season," she points out. "It has been difficult, because it has meant not being able to take money out of the business."

Toni has recently been on a workshop at the franchise head office, with other franchisees also starting out and has been reassured that business will pick up. "The franchisor reassured us that we are doing OK and we have done the groundwork, so business will take off in the next six months," she says. "One of the most important things to do down here is networking, with business groups, women's groups and so on."

One big plus has been the feedback from existing customers. "Without fail, every customer has given me very good feedback," says Toni. She is looking forward to her business growing and remains cautiously optimistic about the future of her franchise.

4.3 William Pratley TaxAssist Direct franchisee

Being made redundant in one's mid-fifties can be a nasty shock. For William Pratley, however, it has been the stepping-stone into building a new franchise business.

William is a qualified accountant and had commuted for 20 years from his home in Maidenhead to his job with a major accountancy firm in London. By the middle of 2004, William was aware that he needed to weigh up his options beyond his present job. "I was working on a project and I knew that at the end of it, there was the likelihood of not being another role for me," he explains. "I would probably have been looking anyway, because when you are in you mid-fifties, in a corporate environment you are on a downward track."

So William began to research the possibilities of changing track. "After commuting to London for 20 years, this would be a chance to do something locally," he comments, "and every time I looked at the options, franchising seemed to be the one I came back to, because it provides a proven product or service, plus backing."

Initially, he was attracted by a business selling language software. Since William is a linguist and speaks both French and German, he was interested, but when he looked more closely at the figures, he began to change his mind. "My immediate thought had been to find a franchise to replace the income I would be losing from my full-time job and that was something the language software could do easily and quickly, with a relatively low up-front investment and very little overhead," he explains. "But as I went through and looked at the situation, I realised that because I would have some redundancy money and I could also take early retirement, I would not be without any income at all, so I began to think about what I really wanted."

William realised that he would receive enough replacement income from his former employer to have time to build up a business over a period of time. "So I looked at other things and at what I am really good at, which is accountancy and tax," he says. "So I then began to look for a franchise related to that."

William attended a PRIME franchise workshop in November, which he found a useful way to get more information about franchising, including talking to a number of franchisees. "It was apparent that a lot of people in a similar position to me had not been able to make a decision at all, and had then used a substantial amount of their redundancy money for income - making it more and more difficult to set up in business," he comments. "I decided then to definitely go for it and set up in business." William researched franchise options further and was attracted by a franchise called TaxAssist Direct, which provides tax and accountancy services for small businesses.

"I went along to TaxAssist Direct's Discovery Day in December and I liked what I heard," he explains. "They were very open, honest and professional." TaxAssist Direct allocates its franchises geographically. William did some research and

chose the High Wycombe area. "We had already decided to sell our house in Maidenhead and go to the Chilterns, so that was fine," says William.

William picked a solicitor recommended by the British Franchise Alliance and instructed them to look at the franchise agreement. "That took a bit longer than I expected, but they were very thorough," he says. As a result, William was able to sign his new franchise agreement in February 2005 – having been made redundant at the end of January 2005. "I did wake up in cold sweats worrying about the future," he acknowledges. "But because I finished work on 28th January and began the new franchise straightaway, it has been a good transition."

William has put together a business plan and a profit and loss forecast for his new career. "With this, the biggest investment is probably the fact that there is no profit in the first year, because I start with zero clients, although having said that, in fact I already have two or three clients through personal networking," he comments. His aim is to build up a business that will have a turnover of £300,000 in five years' time and that will provide him with choices as he enters his sixties. "I may be happy to work on past then and beyond," he comments. "That is the beauty of franchising, the flexibility."

William will have to pay a franchise fee to the franchisor, which is based on his eventual turnover. He will also have to sell his services to his local client base, which is the aspect of the business where he most welcomes the training and support he is getting from the franchisor. "They provide material and leads and so on and also a good practice management software system, and a whole load of things that I then don't have to worry about," he points out. "Obviously, I can't underestimate the competition, but I have the TaxAssist Direct organisation behind me to help with the marketing and that means we can offer the kinds of services to small businesses that would be available from a reasonable-sized firm of chartered accountants, which many of the competition, who tend to be one-man bands, can't offer."

William has found some of the red tape involved in setting up his business a bit off-putting. "The banks are not always that friendly," he says. Initially, he will run his business from a serviced office in a business centre and aims to move into his own shop-front premises within a couple of years.

William is changing his lifestyle, but is not aiming to work fewer hours. "I won't work less, but I do expect to enjoy it more, because I will be working for myself and I will be working in the community where I live. I think that will be a real kick," he says.

4.4 Mike Freedman AquaAid franchisee

Lugging heavy bottles of water about may not seem like an ideal business to start in one's mid-50s. But Mike Freedman, who is now 60, bought into the AquaAid franchise four years ago, when he was 56.

Having spent his career in a family firm in the paper industry, Mike had sold the business and then lived off the proceeds for 16 years. "Eventually the money runs out and I needed to look for some way to make a living," Mike explains. "At my age, and having only ever run my own business, apart from working for my father, I considered myself unemployable. I didn't want to go back into the paper business, which had become highly competitive. I wanted to do something totally different."

Mike did some research and came across the AquaAid franchise in a newspaper article. He was attracted to AquaAid, which sells and installs water coolers, for several reasons. First, it was straightforward. "Water is a simple business," points out Mike. Second, a percentage of the AquaAid turnover is given to charity. "Last year, we raised £450,000 for Christian Aid water projects and that sits very comfortably with all our customers," says Mike. It also provides AquaAid with a Unique Selling Point in a competitive market. "It is a tremendous USP," Mike comments. "As long as we stay competitive in price, our customers love it."

AquaAid, which is owned by the Searle family and has its head office in Cambridge, divides up its franchises regionally. "When I contacted them, they were looking for a franchisee in Swindon, which suited me, as I live in Amesbury."

Following his application, Mike was interviewed several times, first by business consultants and then by AquaAid in Cambridge. Once he had signed the franchise agreement, Mike had a week's training. "The training was compulsory and I'm very glad it was," he comments. There was other support, too, from AquaAid, in the early days. "Head office set up the first account and someone came down to help me with cold calling," Mike says. "It was just myself at first. I took a driver on three or four months later and for the first year it was just the two of us, doing everything, which was a bit tiring at my age."

Now, four years later, Mike employs six staff, including his own son. "That has been a tremendous help," he comments.

Mike has found the financial aspects of the business tougher than expected. He paid £30,000 for the franchise and then spent a further £12,500 on setting up the business, but has found it hard to get into profit. "We allowed £50,000 to be profitable, but it was double that and that was very hard," says Mike. "If we had gone to the bank needing £100,000, I doubt we would have got it. And this can be a tough business. You're always waiting for the next year, when the rentals are due."

Mike has found the business cash flow difficult to handle: "You can't take on the staff you want to, because the cash isn't there," he points out. "We have some

very good customers now, from very large accounts to much smaller businesses, but we keep them all on a very tight rein – it's a cash flow thing."

Keeping a tight rein has other advantages. "Because we do monthly billing, the amounts are quite small, so if we do have any bad debit, it will be a maximum of £200 or so," says Mike. "We are now building up the business and we are getting some momentum, so present customers are adding new coolers on and people who are unhappy with their present supplier are coming to us. We deliver to our bigger customers once a week and our smaller customers once a month, so we actually get quite a bit of business from people who have seen our vans in the area. We are getting very good growth; now it is a question of making money."

One of the disadvantages of going into business as a franchisee is the annual fee that has to be paid to the franchisor, and this is something Mike has found particularly onerous. "The franchise management fee is 10% of sales," he points out. "Last year, that was £30,000, which is not much less than I am paying myself. It is tough, working for yourself 14 hours a day and then having to write a cheque to head office." Mike signed a five-year agreement with his franchisor and hopes to renegotiate the terms when the contract ends.

"Not being able to take on anyone for over a year meant I had to be very hands-on and I also had to use every single ounce of business knowledge to make this work," says Mike. "Without that background, I think we could have got into trouble. I see some people, for instance, who are actually afraid to ask their customers for money, for fear of losing them. You can't run a business like that. We get most of our customers to pay upfront. It isn't rocket science, but you do need so many disciplines to run a business."

Despite these caveats, Mike says there are many positive sides to the business, including the criterion he began with: "It is a business that is simple to understand and you can really work on it," he says. "If we did no more sales and marketing at all, we would still increase the business."

He is now looking ahead and has plans to ease off, by increasing the role of his son. The aim is to turn the business into a limited company, 51% of which will be owned by Mike's son. "By the end of this year, I want to ease back a bit," says Mike. "I want to do more on the sales side and less of all the lugging around. In an ideal world, I'll be sitting back and taking a little time off."

4.5 Derek Hodd

Expense Reduction Analysts franchisee

In 1999, Derek Hodd was 50 and was working as a company director when he decided to make a career move into the franchise world.

“I was working in the alloys business, buying and selling, but it was a highly cyclical business, where it was difficult to make money, and I decided it was time to do something else before it got too late,” Derek comments. As company director, Derek had extensive managerial experience that he felt would be useful, but he didn’t want to run his own business. “I didn’t want to remain an employee and the advantage of a franchise is that it is a more proven model,” he points out. “I didn’t have a unique idea or a hobby that I wanted to turn into a job, like some people do, but I did have experience of managing a business.”

To find a suitable franchise, Derek attended a franchise exhibition and was initially attracted by a printing business. “I was seduced by the idea of the big turnover, but I came to my senses just in time,” he explains. “I was 50. I realised I didn’t want to take out an expensive lease on premises and equipment that would be secured against my home.” Instead, he decided to find a different franchise that he could run as a one-person operation, from his own home.”

At the time, Derek found there were relatively few franchises in the business-to-business world. “I wanted to stay in B2B, so I could still put a suit on and go to business meetings, but that that time, although it may have changed now, there were only a couple of companies around,” he says.

Derek chose Expense Reduction Analysts (ERA), a cost management and procurement consultancy. ERA has a sister company, Auditel, that focuses on cutting utilities bills for clients, while ERA works on all other aspects of company spending, from print costs to freight, insurance, telecoms, waste, packaging, travel and many other expenses.

Derek, who lives in west London, paid £19,000 as a franchise fee. Setting up the business involved few other costs. “The main costs in that first year were travel and telephone,” he says. “Because I was working from home my overheads were modest. I already had a computer and a suit.”

Derek felt the initial support and training he received could have been better, but says things have now changed. “Things are different now and I think the business is quite well set up,” he comments. “The good thing about a franchise is that they have been through it all before, so there are relatively few surprises - and answers to most of the questions.” Derek’s main support has come from other franchisees. “In our particular franchise, the biggest support is from colleagues,” he says. “We have regular meetings every six weeks and there is a bulletin board. It is all very helpful.”

ERA does not split up its franchises on a geographic basis; its franchisees are free to sell to clients anywhere in the UK. In order to manage this situation, all the franchisees log their prospects and clients in a central database, to which

everyone has access via the Internet, so there is, in theory, no chance of overlap. "It stops multiple people approaching the same client," says Derek. He feels the system works well. There are some instances of overlap, but most, he says, are based on errors, where postcodes or other information have not been clear. In fact, he adds, most of the franchisees tend to focus on clients within a radius a couple of hours' travel from where they live. "But with cheap flights, you can have far-flung clients," he comments, "and I have been to some strange places."

Like many other franchisees, Derek found the first year was the toughest. "It was like a jumbo jet taking off," he says. "It was very slow and heavy, but once we got to cruising altitude, things went very well. You don't expect to make any money in the first year, so you have to have a financial cushion. After nine months, I said to myself that I would no longer dip into my savings and would live entirely from the business, but it was probably about nine to 12 months before the first substantial invoices went out."

Getting the hang of the business was tricky, he acknowledges. "I was on a very steep learning curve," says Derek. "You do have a large amount of information to understand and talk to clients about," says Derek. "But now I am delighted with how the business is going."

Derek set himself a target of earning about £40,000 a year. "That was a fairly modest target that I felt was achievable," he says. "But now – well, my tax bill last year was £40,000, so I am very happy with that. More than that, it is the ability to set my own diary. For instance, I have bought a house in Spain and we can go out there when we choose. I can take a laptop with me and do my reports out that. I have a target to achieve, in terms of billing out so much business every month, but I have time to go to the gym twice a week."

Derek feels he made the right decision by opting for home-based business, rather than a business involving premises and staff and he thinks his existing business will carry him forward into retirement. "I have no set time when I want to retire," he says. "It certainly won't be soon, because I have one daughter doing an MA and another at university, so I'm not stopping yet, but technically I could ease back, spend more time in Spain and take on fewer projects, so I am hoping to carry on and have a better work/life balance. This is certainly a better way to earn a living than being on the kind of treadmill some franchises can turn into."

4.6 Alex Leonard

Possible franchisee, residential lettings sector

To franchise or not to franchise? That is the question that faces many prospective franchisees when they begin to look more closely at the franchise prospect.

One person on the verge of answering the question is Alex Leonard. Now 64, Alex is the former managing director of a successful software company, which he ran for 10 years, following his former career in the insurance industry.

Having retired from the software business a few years ago, Alex has now been tempted back to the world of work. "I have been out of the business for some years, but decided to look at franchising in 2004," Alex explains. "It was something my son and his partner wanted to do with me, as a family thing, and I thought, why not?"

Alex has considerable business experience and says his previous job, setting up the UK operation for a Swiss-based parent company, was similar to a franchising operation. "I persuaded the Swiss owners to let me bring the business to the UK, so I have been here before, because that was effectively a franchise deal, although one where I enjoyed a lot of freedom," he says. So when looking for a new business, Alex decided that buying into an existing franchise would provide a quicker route into a new market.

To find out more, he attended a British Franchise Association meeting. "It was very useful and opened up a much bigger range of franchises to select from, which made the whole thing almost intimidating," comments Alex. "It drove us back to look at ourselves and our skillsets and what we were good at: did we want to drive a van or wear a suit?"

One of the advantages of Alex's situation was that he had a lump sum from his previous position that he would be able to invest in a franchise, rather than having to borrow money to do so. "That was fortunate, but we still felt it was important to have a business plan," he points out. "We had to know how much we were prepared to lose if all else fails. "

Alex found talking to franchisors very helpful when putting together his business plan. "A lot of franchises were very useful in filling in the grey areas in the business plan," he says. "When you start, you have no idea about the margins in certain areas and the franchisors often gave us draft business plans that had a lot of information of that kind, which was very useful."

Having looked at the options and at their own capabilities, Alex and his two prospective business partners decided they wanted to go into the residential lettings business. "It's still a growing market, even if it is not growing quite as fast as it was," says Alex. One of Alex's prospective business partners already works in the lettings business.

Having opted for the lettings market, Alex then began to research two potential franchises in more detail and to look closely at the figures involved. "We

narrowed it down to a single business and then looked at the franchises," he explains. "We have had in-depth discussion with two specific franchises."

Alex has done a lot of research into franchise operations in the lettings market. "We have looked at their track records," he says. "We have also gone onto their websites and had a look at how easy they are to use and how easy it would be for potential customers to find us, if we were there. So just by putting ourselves in the position of potential customers, you can weed out a lot of stuff. We felt the two franchises we ended up with had something to offer and were a bit different. One of the companies, for instance, had a lot of corporate customers and that could be helpful in putting business your way, so they were providing added value and that is important, because we wanted to know what we would get for spending all this money with them."

When Alex looked further into the figures, he began to find a number of aspects of the franchise business that could present problems. "When we went into the detail again, we felt the figures didn't add up," he explains. "The firms we were talking to wanted a percentage of our turnover, rather than our profit and that is a big difference. It could account for up to 50% of our potential profit. We also felt they were a little over ambitious. They expected, for instance, that we would have business on day one. But what if it takes three months to get our first client? We felt that an over-optimistic business plan can get you carried away. We wanted to build from thinking about the possible downside, but all the franchisors we talked to were always too optimistic and that worries me."

Having looked at the franchise option, Alex and his partners have now decided to set up their own business, rather than go with a franchise. "With a franchise, there are rules to play by and you have to do it their way," he points out. "That is not too much of a problem, but you need to look at what is left after paying the franchise fee and whether that amount is big enough to justify the investment."

Alex adds: "By not going with a franchise, we may put ourselves at a higher risk at first, but against that, we don't have to make so much profit in order to succeed. We also think that not being within a franchise will give us more opportunity to stand out of the pack. Some franchises are innovative, but certain things are fixed, such as the website design, which is certainly one of the ways in which you can make your own business stand out. We haven't made our minds up yet, but we are certainly leaning towards going for our own business. We would have the same financial aims, but delayed somewhat, quite deliberately."

4.7 Female franchisee Stagecoach Theatre Arts

[This respondent prefers to remain anonymous - PRIME]

Taking on a franchise in a very different area from an existing professional career can be daunting. But for one franchisee in a south coast town, moving from nursing to running stagecraft classes for children has been both an enormously fulfilling change and a way to provide extra income after retirement.

“I was a nurse in operating theatres for many years and wanted to do something else,” explains our franchisee. “So I did a BA in arts and music and an MA in arts management. I then went off round the world and when I came back, I went back to nursing - but I was looking for something in the arts. I had a friend who saw an advertisement for a franchise running a part-time stage school for children. So we went into the business together and after a few years I wanted to open a second school. So my friend bought out the initial franchise and I started the second school with another friend.”

The Stagecoach Theatre Arts Schools franchise runs part-time theatre workshops or schools for children in the UK and other countries. The business was set up in 1988. Each workshop or school holds 45 pupils and is run as a separate franchise contract by a principal. The principal hires the professional teachers and trainers used to run each week’s classes. There are three terms of about 13 weeks each a year.

When our franchisee first got involved in this business nine years ago, she was 51 and was specifically looking for something that could be developed in tandem with her nursing job, to provide extra income in retirement. “I persevered with nursing, because of the pension, but I started a franchise with the idea of gaining extra income,” she explains. “I wanted to work in the arts, I like children and I didn’t feel they were able to fulfil their potential just from what they were learning at school.”

The first franchise cost £3,500 and since selling that one to her initial partner, our franchisee and her second partner have taken on six franchise contracts in all and now run three three-hour stage classes for seven- to sixteen-year-olds and three one-and-a-half-hour classes for children aged four to seven. The price of the franchises have gone up over the nine years since our franchisee began in this business, but her overall investment in franchise fees has been just over £20,000.

The annual franchise fee comes to about 15% of turnover. This includes a fee for national advertising – local advertising is paid for by the local franchisees. “It is quite high, but for the amount of support we get and the way they look after us, I don’t have a problem with it,” says our franchisee.

As with other franchisees, getting the business going in the first year or so was hard work, but this franchisee has nothing but praise for the support from her

franchisor. Following an initial interview, she had a week's initiation course at the company's head office in Walton-on-Thames.

She is particularly impressed with the company's proactive approach to what could be potentially problematic areas in working with young children. "There is a very strong child protection policy in place," she explains "and the schools are inspected, without prior notice, every term. I think all the franchisees feel that the reputation of all the schools is vital. If there are any problems whatsoever, we can just phone the head office and get help. Fortunately, I have never had any problems. But I get a lot of administrative and business support from head office."

Stagecoach provides its franchisees with a manual explaining how to run their administrative systems and also provide an accountancy service. "We send in a floppy with the turnover on and the whole company belongs to the same accountant, so that saves having to pay for a chartered accountant and means we are well-covered," says our franchisee. "It has been a very positive experience. I know there are other franchises in a similar field where things have not been so positive, but I feel that if you follow the franchisor's instructions and go along with them, they will help you and there won't be any problems."

The biggest challenge for our franchisee was running the franchise business at the same time as keeping on her full-time nursing job, which she saw through to retirement age at 60 in May 2004. "The franchise took all my spare time, and I was exhausted by the time I finally retired," she comments. "I don't quite know how I hung on in that last year, because by that time we were running the six schools, so it was a lot of work."

Now, however, things are much easier. "The workload is fine. I spend two or three days a week doing the administration at the beginning of each term and that then gets less as the term goes on," our franchisee explains. "It brings myself and my partner a good income, but more importantly I get a great deal of pleasure out of it. I love seeing the children gaining confidence and getting letters from parents about their children and my partner feels exactly the same. We each have our own area of the business, so we don't overlap, but we help each other and it is good to work as a partnership. I'm 60 and she is 64 and for the time being, the plan is just to carry on. I suppose we may sell the franchise at some point, but for the moment, there is no reason to stop."

This franchisee was very clear that although she had professional skills in one particular area, nursing, she wanted something different from a franchise. "I was offered a partnership in a nursing home, but there was no way I would take that," she comments. "I know all the pitfalls and how hard that can be. I wanted something I was going to enjoy, something in the arts."

4.8 Ray Lowe Photography franchisee

[This respondent prefers us not to name the franchisor - PRIME]

One of the drawbacks of buying a franchise is that things can change and even those with extensive business experience can get caught out. This has been the experience of Ray Lowe, a photographer who was running his own business when he bought a franchise with the aim of selling it and retiring.

"I'd been running my own photography business for 25 years and had never made a secret of the fact that I wanted to retire at 55," explains Ray. "I lead a very busy and active life, including a lot of voluntary work and I didn't want to work up to 65 and then die a couple of years later."

So, when he was in his late 40s, Ray decided to buy a photography franchise, run it for a year or so, and then sell it on to a member of his own staff. "The young man had been with me for 13 years," explains Ray, "but he didn't want to take over Ray Lowe Photography. Buying a franchise would be ideal. No one would know who owned it behind the brand. We agreed I would run the franchise for a year; and he would then buy the franchise at an agreed time."

Ray was confident about the franchise business he was buying into. He'd known the people running the business for some time; they had started a sales and marketing business for a smallish group of photographers, including Ray. "Because of my own experience, I was taken on as a photographic trainer and I didn't have to pay a fee for the franchise," says Ray, who signed a five-year franchise licence contract with the franchisor.

In addition to his own photography business, Ray had also previously set up a commercial photography business and a separate operation taking pictures of babies. After signing the franchise, he then moved his own business into separate premises.

At first, all seemed well. The franchise specialises in high-quality portraits, and had very clear branding concepts, including a refit of the studio that cost Ray £25,000. Ray took out a five-year bank loan to pay for the refit and was looking forward to making a good profit on the anticipated turnover from the franchise. But he has found it harder than expected to make a profit. "Last year, we had a turnover of three quarters of a million pounds, but our profit was only £10,000," explains Ray. "That really isn't worth it. And we didn't make any profit at all until our profit was up to half a million. I can get a wage out of it, but as an owner, I expect a bit more."

Like other franchisees, Ray pays an annual fee to his franchisor. In his case, it is 10% of annual turnover, and Ray is unhappy with the level of support he has had in return for this fee from his franchisor. The franchisor appoints a business development manager to help individual studios develop their business. "Photography is a luxury product and it is important to develop your business," acknowledges Ray, who also acknowledges that the company's advertising has

helped make it a recognised brand in the market. But he is less convinced of the role of the business development manager. He has had several different business development managers in the four and a half years of the franchise to date, and says that while some are very good, others are less so.

Looking back at his franchise business, Ray thinks now he should have paid more care and attention to the terms and conditions of the contract he signed. For instance, members of this particular franchise business are obliged to use a central laboratory, rather than being free to shop around for the cheapest processing prices.

“Stepping into the franchise was a very different kettle of fish from running my own business and it is easy now to see the pitfalls,” comments Ray. He acknowledges, that there have been some benefits from the franchise operation. “The price of the product has gone up enormously and we are now able to charge a sensible price for portraits,” he points out.

But the biggest problem with Ray’s business plans came just before Christmas 2004, when the employee to whom he had intended to sell the franchise decided not to go ahead with the deal. That has meant Ray having to rethink his own future, and the prospects for his six staff.

“Fortunately, I have been in this area for 25 years and my own personal reputation is good, so I will be able to turn the franchise operation back into my own business,” says Ray. He now aims to give up the franchise when the contract term expires and believes this will be a straightforward process. But it means he will no longer be able to retire as planned.

Instead, Ray plans to take more of a back seat and let his staff take more charge of everyday operations, something he says they are happy about. “My business will carry on and while they are obviously worried about their jobs, the staff want to stay on with me, which is nice,” says Ray. “At the end of the year, I will save thousands in not having to pay a franchise fee and if I can’t take out more than the £10,000 I was getting from the franchise, it will be a sorry state. But it means I have no chance of being out of the business by the time I’m 55.” Ray’s business may also face extra competition from whoever decides to take over the franchise once he has let it go.

Looking back, Ray feels he has learned some valuable, if tough, lessons. “Take the franchise contract to an experienced franchise solicitor,” he advises. “I had a friend who did that and had some of the more onerous clauses removed. I trusted the people running the franchise, because I had known them a long time, but if you are signing your life away for five years, you have to get someone to read that contract properly.”

4.9 Tony Greenan Printer & computer consumables franchisee

[This respondent prefers us not to name the franchisor - PRIME]

One of the potential hazards of running any business later in life is that ill health can pose unexpected challenges.

Tony Greenan is now 57. He began his franchise business four years ago, at the age of 53, and since then has expanded his business, by buying a share of a second franchise. But recent ill-health has made him reassess his priorities.

In his earlier working life, Tony worked as a production manager for a plastics company. In 2000, he was made redundant and was reluctant to look for another job, feeling he would face age discrimination. "You know the signs are there when you are over 50," he comments. "I also didn't want to face the politics of bloody meetings again."

Tony acknowledges that getting over redundancy can be a difficult experience. "I had to get over what was quite a traumatic experience and that took time," he explains. "It probably took me eight months or so. Having been made redundant, I decided I really didn't want to work for anyone again."

Instead, once he was ready to look at his future employment options, Tony decided to go for a franchise operation, rather than attempting to start his own business. "I felt with a franchise, the research would already have been put in, so it would be more likely to succeed than trying to start my own business," he comments. He also felt getting financial backing would be easier: "Banks are more in favour of lending for franchises, because it is a tried and tested concept and quite often the marketing has already been done," he comments.

To find a suitable franchise, Tony went to several franchise exhibitions and eventually opted to join a business selling and refilling cartridges and other computer consumables. "One of my hobbies is computers, especially on the photography side, so it seemed a good area," he comments. This particular franchise is run by an Australian. Initially, Tony met the UK master franchisee to look at the business figures and to see if he generally liked the way the business was running.

Satisfied with what he had seen, Tony went ahead and bought the franchise in the local area where he lives, Leigh-on-Sea. His aim was to set up the business and then, eventually, hand it on to his daughter and son-in-law.

"I probably had no business experience and I certainly had no retail experience," Tony says. He paid £40,000 plus VAT for the franchise and spent two weeks in Australia, getting training from the franchisor, before setting up his own operation.

The franchise fee included some money towards finding and leasing a suitable shop premises, and Tony spent a further £2,000 on fitting out his shop, once he had found it. That proved one of the hardest aspects of starting the business. "I

drove right round Southend and Leigh-on-Sea to find somewhere I was happy with," he explains.

The first premises he found fell through, but he was soon able to find the premises in which his business is now based. "We are on the corner next to traffic lights, so every time those lights turn red, my yellow and blue shop stands out," says Tony. "The only thing is that perhaps now I wish I had got a bigger shop, but at the time, it wasn't so easy to find the premises."

Tony's aim for the first year was to take things steadily and learn the business. "I was a bit wary and didn't try to grow the business too quickly," he says. "Also, we had some holiday booked, and I didn't want to go away and feel my daughter wouldn't be able to cope. But she was fine and after that, we began to grow more quickly."

In fact, Tony liked the business so much that he and his wife bought another franchise from the same franchisor, splitting the cost 50% with another couple. The second business is in Nottingham. "We drive up about once a week and we can generally leave in the morning and get back the same day," says Tony.

"It is vital to do the research and be sure in your own mind that the business will work," Tony comments. He took out an initial £40,000 bank loan to pay his first franchise fee. That loan has almost been repaid, but he took out another loan to pay for his share of the Nottingham business. He pays an annual franchise fee of between 6% and 9% of his turnover. This includes a 3% advertising levy. Advertising costs are a sore point. "I was the seventh store to open and ended up spending a lot of money on advertising," Tony explains. "Radio advertising, for instance, could cost a thousand pounds a week and you've got to sell an awful lot of cartridges to get that back. Since then, other people have opened up franchises and have come to me to talk about splitting the cost of advertising, but I'm not paying that."

Tony's business has done well, driven by the boom in digital cameras and people printing more photographs at home. But ill-health has interrupted Tony's plans. "We were getting good returns from the business, and my plan was to pass the business on to my daughter and son-in-law and put my feet up," he comments. "But then, three months ago, I had a heart attack."

Tony is back at work, but the heart attack has affected his plans. He now spends less time at work. "When you have to pay to employ people, it eats into the profits," he points out.

Tony is still working at his business and is still spending time travelling up to Nottingham to work in his second franchise unit. His illness has made a difference to how much time he is putting into the businesses, but overall, Tony feels the experience has been a success. "The franchise fees have gone up, but so has the value of my business," he points out.

4.10 Ashley Carr Auditel franchisee

Ashley Carr was in his early 40s when he decided to change career direction and become a cost management consultant.

Seven years ago, Ashley bought into a franchise business called Auditel. It was set up in the UK by a South African barrister who realised that following deregulation there would be an opportunity to advise small and medium-sized businesses on how to cut the cost of their utilities and telecoms.

Ashley was one of Auditel's the first UK franchisees, but the business has grown and there are now some 115 franchises in the UK, Northern Ireland and Eire.

Ashley had no background in the cost management area. He had spent the previous four years running his own graphics business and before that had been in the exhibitions and conference market. "I just wanted a complete change," he explains. "I wanted to stay in the business world, because I wanted a white collar environment, so I was looking for a vehicle to do that. I was not confident enough to come up with my own idea and take it forward, which was why I decided on a franchise."

To choose a franchise, Ashley went a long to a franchise exhibition, having done some research. "There were two or three options I wanted to look at," he explains. "I met Auditel there." There were other, similar franchises in the cost reduction market, but Ashley liked the people he met from Auditel, particularly the UK franchisor. "I basically bought into him," says Ashley. "He was a dynamic, committed individual and I knew he would take this fledgling company and make it successful."

Despite this, Ashley was cautious. "I don't think anyone getting into business can be completely confident about what will happen, but you have to make decisions on the basis of probabilities," he says. "The most important thing was that I liked the people who were leading the operation." There were some caveats: Ashley felt the training he received could have been better and says the company has now improved in this area. "It didn't bother me particularly," he says. "I had some experience of selling, so I brought those skill sets into the business."

Ashley was attracted by Auditel's approach to the market. "The Auditel business didn't seem to have too many flaws," he says. "The idea is that we will save companies money, and if things get tough, that's even better for us. The biggest question was whether I could do it. I needed enough money not just to purchase the franchise but to survive until I got some positive income from the business."

Ashley found his bank was relatively happy to lend money to buy the franchise. "The question was what qualities I would need and it is the same as in any business," he points out. "You have to be prepared to push yourself and do things you might never have done before, especially if you have come from a corporate background. You don't have people running round after you, you don't have sales

and marketing people, you don't have a car provided - and you don't have holidays."

Ashley paid £16,000 plus VAT as a franchise fee and earned very little in the first year. "I was prepared for zero salary, so anything I earned was a bonus," he says. "In fact, I earned about £3,500." Although prepared to work hard, Ashley did find the first year tough. "Under pressure, you can easily make mistakes and start panicking," he says. "So that first year was hard, but laid the foundations for the business. You don't believe you are getting anywhere, but you need that foundation and support.

"By the second year, it started to pay off and after about 15 months I realised that the money was coming in, where only a month before I'd been thinking this was the biggest mistake of my life. That may have been a weakness in my forecasting, but looking back, I could see I'd been doing the right things, and once the business was set up, I gained rapidly in experience and in profits."

After seven years, Ashley is now earning a substantial, six-figure sum from his franchise. "Once I was established, I have been able to have a degree of relaxation in the business that few enjoy," he comments.

When Ashley bought into Auditel, the business was not accredited with the British Franchise Association, although it is now BFA-accredited. "I'm glad it wasn't at the time, because I would probably have had to pay a huge amount to the franchisor."

Auditel consultants, such as Ashley, work with clients to recommend ways in which they can save money on a number of key areas, including utilities. Ashley focuses on selling the Auditel services and managing his client's projects. "I can easily handle 40 or 50 clients as a sales person," he explains.

Ashley's advice for potential franchisees is that they should be very aware of their own strengths and weaknesses, as well as those of the franchisor. "You need to meet the person ultimately responsible for the franchise and you have to believe they are capable of delivering the promised business," he says.

"But in the end it is down to you - and you have to have an honest appraisal of yourself. In my case, I realised I would need support and wanted to be able to liaise with others, so I felt a franchise was my only option. It's probably not true now, but it was at the time and led me into this business.

"I think people need to be aware, particularly if they come into a franchise from the corporate world, that they are not buying a job. You are buying an opportunity. It is a business and has to be run as a business and you have to have the right skills for that."

4.11 Richard Bird Initial Citylink franchisee

Richard Bird opted for franchising having tried both working for other people and working in partnership.

When he bought his franchise, almost 14 years ago, Richard was in his mid-40s, and was looking for something that would be very different from his previous business experiences. "I had worked for a US company and had been made redundant, so I set up a typesetting business with some friends," he explains. "When that business split up, I felt franchising would be the way forward for me. I wanted to do something different; I didn't want to be in business on my own, but I had had enough of partners!"

When running his typesetting business, Richard had used parcel delivery services and when he began to research the options in terms of a franchise business, he felt parcel delivery would be a good business to get into. "I looked at printing, but I wanted a change and I was always interested in transport," he says. To find a suitable franchise, Richard contacted a number of different parcel delivery companies and felt Initial Citylink, which at the time had a franchise available in Bristol, would be the best fit for his needs.

"Buying the franchise was fairly straightforward," says Richard. "I worked for a week at one of the existing Initial Citylink franchisees to get a feel for the business and that gave me a good background. Things then moved on rapidly." Richard made an initial investment of £60,000 to buy the franchise and also made an arrangement with his bank for a £100,000 overdraft, to fund the initial operation. He and his wife then began to run the Bristol-based parcel delivery service, taking on the existing staff already working in the business.

"When we took over the business, it was ticking over," he explains. "It had been owned by the franchisor and had four vans, a couple of motorbikes and 10 staff. But the first year was tough. We had to change the whole idea away from a head-office operation, which was not particularly profit-oriented." In contrast, Richard and his wife were keen to make get the operation into profit quickly. "We had to make a profit, and did so in that first year," says Richard.

Richard realised the business had considerable potential. "We were mainly delivering parcels in the Bristol area, but in order to grow, we had to get into the business of collecting parcels, to pick them up and put them into the network," he explains. With Initial Citylink, all the franchisees work together, so parcels picked up in Bristol will be delivered to their destination by the other franchisees in the Initial Citylink network. This makes the business very different from many other franchises, in that there is a network where franchisees depend on one another for efficient delivery. "If we have a parcel that has to be got from Glasgow to Bristol and we deliver late, it's the Glasgow franchisee who suffers," points out Richard. "We are totally autonomous, but the franchisor is supportive if you do the job properly; if you don't, there are ways of removing you."

There is a more formal structure to Initial Citylink than with some other franchises, partly because of the networked aspect of the business. The franchisor appoints regional operators and managers, as well as regional sales staff. There is also a central finance director, who visits each franchise annually to look at the figures and advise on spending, where it is felt that costs are out of line with the other franchisees. "We look on it as positive," says Richard. "It is not a big brother thing. We run as a separate limited company and we have a very strong franchise agreement." Franchisees in the network set their own prices and meet annually, in addition to an annual meeting with the franchisor and an annual sales conference.

The business has grown considerably since Richard and his wife took it on. They now run Initial Citylink franchises in Bristol, Bath and Swindon, employ about 200 people and run some 90 vehicles. They have a turnover of £8 million a year, up from £150,000 when they first took on the Bristol business 14 years ago.

The biggest challenge for Richard has been getting used to employing and motivating staff, and in recruiting and retaining people. "That is still a big challenge," he acknowledges. "But we have been lucky. We have grown and so has the whole Initial Citylink network. We don't sell on price. We are probably one of the more expensive services. Our selling point is the quality of our service."

Richard's advice to would-be franchisees is to go into the business with a clear idea of what is entailed. "The big thing is to talk to existing franchisees," he comments. "Working that week made me see both the good things and the bad about the business. I went to one of the biggest existing operations at that time, which was very impressive, but it had been in business for five or six years. I also went to one of the smallest and it was a very different business, working from a farm building in the depths of rural Lincolnshire."

Richard believes one of the strengths he has brought to his franchise operation is his background in business, particularly in sales. "I think that has probably been quite important," he comments. "It would be very difficult to run this kind of business without the sales experience. I don't do the selling myself, but one of the first things I did was employ a salesperson."

Richard also advises franchisees that they have to be ready to work in every aspect of the business themselves. "I've worked as a driver myself," he points out. "In the early days, my wife and I were both out driving. I've also worked in the warehouse. This is very much a hands-on business and you have to be prepared for that."

Chapter 5

UK franchising sector - size and structure

5.1 Source of data

The accepted landmark study in the sector is the annual survey carried out by the British Franchise Association and sponsored by NatWest Bank. Since it is now in its 21st year, it's possible to spot trends. In this chapter we briefly summarise key facts relevant to our theme extracted from the survey with the BFA's permission.

The information is drawn from the 2005 survey, published in March 2005, unless otherwise mentioned. This reports on data collected about the previous year, 2004. A representative sample of 300 franchisees was polled, and 150 franchisors also took part - including both BFA and non-BFA members.

5.2 Age and gender

In 2004 (the year covered by the 2005 survey report) approximately a third (32%) of franchisees were over 50, and if you lower the cut-off point then two thirds (66%) were over 40. The average age of the franchisees responding was 45.

Franchisees are getting older. Back in 1992 there was a 50:50 split between the over and under 40s, where as now it is 66:34 in favour of the older group.

However, what we really want to know is the age at which people started their first franchise business. Unfortunately this isn't directly collected for the NatWest/BFA survey.

But we can get a very rough idea from something that is - the length of time people have been franchisees. The mean is now (2004) 9.9 years, suggesting an average starting age back in the past of somewhere in the mid 30s.

This sheds more light on the apparent trend towards older franchisees. Back in 1992 the average length of time respondents to the NatWest/BFA survey had been franchisees was only 3.9 years. Now it's nearly 10 years - so it's clear that existing franchisees are sticking around for longer.

As they do so they are ageing, so it is this ageing of the existing stock of franchisees - rather than a tendency to recruit older people, that is the main reason behind the trend towards older franchisees.

Note that this ageing of the franchisee population will eventually boost the number of existing franchise units coming on the market - as franchisees retire. The market for recycled franchises is already very important. This year (2004) 32% of new franchisees bought a resale rather than building a franchise business from scratch.

The gender split among franchisees in 2004 was 71% male to 29% female. The number of women franchisees has risen in recent years. In 1995 only 24% were female. Looking at the 2004 figures it is clear the female influx continues, as 31% of franchises started in the last two years were started by women.

The survey no longer asks franchisors if they have a preference for husband and wife teams, but 80% of franchisees are married.

5.3 Cost

The average initial franchise fee was £15,600. To clarify this figure, it is not what 2004's crop of new franchisees paid, but what the whole sample reported paying as a franchise fee, whenever in the past they paid it.

On a similar basis the average amount people recollect paying to get their business started was £42,200. This includes the franchise fee and other start-up expenses such as equipment and fittings, as well as working capital for an unspecified period.

The survey also asks about current running costs, so these figures relate to 2004. The average annual recurring fee paid by franchisee to franchisor was just under 10%. This was made up of a service fee or royalty of 7.7% of sales, plus an advertising charge or levy of 2.1% sales.

5.4 Size of sector

The NatWest/BFA survey derives these figures from a variety of sources, including the franchisors contacted.

The total number of franchise units in the UK in 2004 was 31,300 (including dairy units). The number was down by 8% on the previous year. This is partly because financial services company Zurich - owner of Allied Dunbar, no longer operates a business-format franchise and so was removed from the survey sample, which affected the number of franchisees and the overall employment figures

The number of franchisees given in the report is 31,300, the same as the number of franchising units, so partnerships and other collective arrangements are counted as a single franchisor for the purposes of this survey. If you exclude the large dairy sector, which has an untypical franchise structure, there were 28,563 franchisees in the UK.

The report estimates that there were 327,000 people employed in total in franchising in 2004 - that's an average of just over 10 per franchise unit or franchisee.

They were working in 718 separate franchise systems. A franchise system is a franchisor, for example ChipsAway, together with its full set of franchisees. The number of franchise systems was up slightly on the 695 of the previous year.

The two biggest sectors in terms of the number of different franchising systems operating in them are property services and business & commercial services, accounting for almost half (44%) of the UK's total between them.

Table: Franchise systems by industrial sector, excluding the dairy sector

Sector	Number
Property Services	165
Business & commercial services	152
Hotel & catering	112
Personal services	131
Store retailing	91
Transport and vehicle services	64
TOTAL	718

5.5 Profitability

For 2004 88% of the franchisees taking part in the NatWest/BFA survey said they were in profit, while 12% said they were making a loss. Franchisee profitability was down on the previous year, when 95% said they were in profit.

There seems to be a strong connection between franchisee profitability and length of time in the business. Of the franchisees who had been going for two years or less, 79% were in profit and 21% were making a loss. This improved for franchisees who had been going three or four years, with 87% in profit and 13% loss-making. And when we get to franchisees with five or more years in the game, 95% reported a profit and only 5% a loss.

The average turnover per franchise unit in 2004 was £291,000.

According to the survey 1.7% of franchisees were forced into withdrawal during the year, with a further 4.8% withdrawing voluntarily. "Withdrawal" here is a catch-all term including various types of exit from franchising including retirement and commercial failure.

More detail is available for exits by franchisors, with 1.4% withdrawing because of commercial failure, and a further 5.1% withdrawing from franchising - although not necessarily from business, for other reasons.

5.6 Attributes required by franchisors

The main constraint on franchise growth cited by franchisors is the availability of suitable franchisees (39% for 2004). This is pretty much the same every year (41% for 2003), so if you are a suitable franchisee you are in a strong position. .

So what do they mean by suitable? The main trend over recent years is for franchisors to value the potential franchisee's attitude over their experience. So in 2004 the top thing they wanted was a self-motivated attitude - cited by 59% of the franchisor sample. Next in importance was experience of sales and marketing, at 45%. These two were way out in front as franchisor wants.

Factors that you might think relevant, such as experience of the particular industry (14%) or experience of self-employment (5%) were mentioned by far fewer franchisors,

5.7 Background of franchisees

Immediately before taking up their franchise, almost two-thirds of 2004's respondents were in conventional salaried employment. Only a very small proportion (6%) came into franchising from redundancy or unemployment.

Table: Occupation before franchising of franchisees

Occupation	Proportion
Salaried employment	65%
Self-employed outside franchising	27%
Unemployed or redundant	6%
Working in another franchise	1%

Chapter 6

Results of PRIME's primary research

6.1 Overview

This chapter presents some of the highlights of PRIME's own research into franchising. It concentrates on practical issues such as the information and support needed by people considering starting a business via the franchising route, and on what different groups think about franchising at the moment. Broader questions to do with the value of franchising to the older age group and the impact of age on starting a business are covered in the next chapter.

Our primary research consisted of four questionnaires, aimed at four distinct groups. Poll 1 was aimed at existing franchisees, and yielded replies from 13 people currently running businesses as franchisees. Poll 2 sought the views of those known to be actively considering franchising, and produced 32 responses.

Poll 3 targeted business advisers working for organisations in PRIME's partner network - the sort of adviser who might be required to assist older people considering franchising, and yielded 73 valid responses.


Poll 4, which was actually done first, was an exploratory poll aimed at active members of the older public who might conceivably be interested in franchising, and it received 823 responses.

Full results from all four surveys are contained in the appendices, along with details of the samples and method used. In-depth interviews with 10 franchisees selected from the respondents to Poll 1 and 2 are presented as case studies in Chapter 4.

6.2 Franchisees' previous business experience




For all 13 respondents to Poll 1 it was their first franchise. But the amount of previous business experience varied in a striking way. They mostly had a great deal - or none, with few in the middle ground.

Q: How much previous experience of running a business or self-employment did you have at the time of taking on your first franchise?

Amount	Distribution	Number	Ratio
None		5	38%
Less than a year		0	0%
One year or more		0	0%
Two years or more		1	8%
Three years or more		0	0%
Four years or more		1	8%
Five years or more		6	46%
Total		13	100%

The same noticeable pattern repeated in an even more clear-cut way with the larger Poll 2 sample of those considering franchising:

Q: How much previous experience of running a business or self-employment do you have?

Time	Distribution	Number	Ratio
None		16	50%
Less than a year		1	3%
One year or more		1	3%
Two years or more		0	0%
Three years or more		1	3%
Four years or more		1	3%
Five years or more		10	31%
Other		2	6%
Total		32	100%

We thought at first this might have something to do with the source of the samples - which came from contact lists produced by the BFA, TFA and PRIME, but looking through the individual questionnaires there was a similar mix of very experienced and very inexperienced people in the respondents from all three sources.

Instead what is probably going on is much simpler - and a direct consequence of age. People have either spent their life doing something that gives them relevant business experience or they haven't.

The mean age of Poll 1 respondents was 55, and it was 52 for Poll 2. If people have been self-employed or running a small business, by their 50s they are likely to have been doing it for a long time and to have clocked up a great deal of general business knowledge.

On the other hand if they have spent their life as a specialised employee in a corporate or public sector environment, they may not know much about even the basics of running a business for themselves. Comparatively few people have experience of both - of being a cog in a much larger machine and of running the show.

This is a good example of CROW's maxim "people do not become more alike with age" - that differences widen as more experiences accumulate (see Chapter 3). This aspect of age is often overlooked, and means a one-size-fits-all approach to training and support may fail to deliver the results expected.

6.3 Help requested by those actively considering franchising

Note in particular that there's no reason to assume that the inexperienced-at-business camp shares the same needs as the long-term unemployed. They may not have been unemployed for long, or indeed at all. The NatWest/BFA survey found that almost two-thirds of franchisees were in conventional salaried employment immediately before taking up their franchise, with only 6% coming from redundancy or unemployment.

So while they may need to plug a specific small-business skills gap, most potential franchisees are likely to be coming from a very different world to that of the long-term unemployed. This implies big differences in their attitude, general confidence and access to personal support networks. Basic business skills training designed primarily for the unemployed may not be suitable.

In Poll 2 we asked would-be franchisees the open question "What sort of advice would be most useful to you now?" The two most-requested areas for help were bookkeeping & accounting, and sales & marketing.

6.4 Training and support provided by franchisors








In business-format franchising franchisors have a major responsibility for providing training. Franchises are exempt from some EU competition regulations partly on the basis that "substantial and secret know-how" is shared within the franchise system, so new franchisees have to be properly inducted.

And from the franchisee's point of view one of the key benefits cited on franchising's behalf over going it alone in business is that the franchisor is there to show you the ropes.

So how happy were our 13 franchisees with the training and support they received?

We asked them to score their franchisor out of 10, with 10 meaning top marks or excellent. The average from the group was 6.3, indicating a moderate level of satisfaction. But far more important was the wide variation in satisfaction between different franchisees.

Q: How would you rate the support, training and materials provided to you by the franchisor at the time you started your business?

Score	Distribution	Number	Ratio
Very poor		0	0%
2		0	0%
3		2	15%
4		2	15%
5		1	8%
6		0	0%
7		4	31%
8		2	15%
9		1	8%
Excellent		1	8%
		Total	13
			100%








A later question asked them about the support they were getting now, and the average score improved to 7.2. But there was still a wide variation in their answers, suggesting big differences between franchisors in the quality of support and training provided.

These differences of opinion are brought into sharper focus in the interviews with franchisees in Chapter 4, seven of whom also participated in Poll 1.

6.5 Satisfaction with franchising itself

Overall though most of the Poll 1 franchisees were happy they'd gone the franchising route, giving it a mean score of 7.4 out of 10. Two-thirds of those who expressed an opinion were clustered at the happiest end of the scale.

Q: On balance are you happy you decided to go the franchising route?

Score	Distribution	Number	Ratio
Not happy at all		0	0%
2		1	8%
3		0	0%
4		1	8%
5		1	8%
6		0	0%
7		1	8%
8		4	33%
9		1	8%
Very happy indeed		3	25%
Total		12	100%

This is important if PRIME and other independent business support organisations are to get more involved in recommending franchising as an option. It clearly can turn out to be a good choice if you choose the right franchise.

6.6 Satisfaction with free franchising workshops

Poll 2's sample consisted of people known to be considering franchising because they had recently attended free whole or half-day franchising workshops. These were put on either by PRIME itself (with BFA support) or by The Franchise Alliance (TFA), both with support from the CREATE programme,.

We asked them what they thought of the sessions, again using a 1 to 10 rating scale, and what subsequently happened.

For the PRIME/BFA events the mean score was 7.3 out of 10, and it was 6.8 for TFA's, which puts both sets of events comfortably into happy-punter territory. Appendix P2 has more details about the distribution.

At the time of the poll two thirds of the respondents were still considering franchising or had gone ahead, while a third had given up. From a business support point of view, giving up can still be considered a successful training outcome if giving up was the right decision for that individual.

In fact - far from giving up, at least six of the 32 respondents appeared to have started up in business recently as franchisees. We hadn't anticipated this happening so quickly, and so hadn't asked a direct question, but it was clear from other answers. We followed up with telephone calls to respondents who had given us permission to contact them further, and three of the case studies in Chapter 4 come from this sample (Pratley, Leonard and Hamilton).

Overall both sets of workshops were clearly considered helpful.

6.7 Business support sector awareness and training needs

Poll 3 probed attitudes to and experience of franchising among business advisers. Over three-quarters of the respondents worked for not-for-profit local enterprise agencies or local operators of the government-funded Business Link service.










Almost everybody (99%) had heard of the British Franchise Association, a remarkably high recognition rate

But when asked about their own expertise in franchising, they gave themselves only fair-to-middling grades. This suggests that as a group these business advisers were not fully confident in their abilities to deal well with franchising enquiries.

For example, on the key question "How competent do you rate yourself in advising on franchising?" the group gave itself a mean score of 6.2 out of 10.



What's more, there was a wide variation in confidence between advisers.

Q: How competent do you rate yourself in advising on franchising?

Score	Distribution	Number	Ratio
Very poor		4	5%
2		2	3%
3		5	7%
4		9	12%
5		8	11%
6		6	8%
7		12	16%
8		15	21%
9		8	11%
Excellent		4	5%
Total		73	100%

Less than a third of advisers had received any training in franchising or other structured business formats. When asked if they wanted such training almost two-thirds said that they did.

Q: Do you require further training on providing franchising advice to clients?

Answer	Distribution	Number	Ratio
Yes		45	64%
No		25	36%
Total		70	100%

6.8 Business support sector services for franchising clients

The difficulty for business support organisations is in working out what priority to attach to franchising, both as regards to training their own staff and in developing services for clients. The number of serious franchising enquiries is clearly relevant to their decision.

Between them our 73 respondents had advised just under 400 people about franchising in the last 12 months. This works out at an average of 5.5 franchising clients per adviser per year, though the tally varied widely.

Roughly a quarter of the clients receiving franchising advice were over the age of 50, amounting to 95 people. This is roughly in step with the size of the age cohort in the population of working population as a whole, so if there is any difference in interest in franchising with age it doesn't show up till you look at more detailed age bands (see below).

With these low traffic levels it may be that a training course for advisers that takes them out of the office is not cost-effective. However there is clearly a need for reference material for the advisers themselves, and perhaps some form of on-line training, not to mention handouts for clients.

As far as workshop or classroom training for clients goes, this is probably best provided by specialist organisations. The events would need to be properly promoted, and run by organisations that advisers trust enough to refer their clients to. The high recognition rate and favourable references to the BFA in replies to other questions detailed in Appendix P3 clearly puts it in pole position.

Only 13% of the advisers said their organisations offered any franchising awareness courses to clients at the moment. But two thirds could provide them with franchising materials.










Less than half (43%) said their organisations promoted franchising as a start-up avenue, but this answer has to be interpreted with caution. Accredited business advisers are required to give best advice to fit the needs of the individual, so they may take the view that they shouldn't be promoting anything to their clients. "Promote" may be a loaded word in this largely publicly-funded and charitable sector.

Our interpretation of the Poll 3 responses is that most of them probably are willing to do more around franchising but that the real obstacle is probably economic. One respondent wrote "We'd be happy to promote franchising more if you can provide the materials".

6.9 Public awareness of franchising among the over 50s

When asked to rate their own knowledge and understanding of franchising, most respondents to our large public poll of over 50s people placed themselves in the bottom half of the scale - with a score of 5 out of 10 or below. The mean score was only 4.3 for the whole sample, which doesn't show much confidence. Equally importantly, there was a wide variation in individual scores.

Q: How would you rate your knowledge and understanding of franchising?

	Very poor		91	11%
2			106	13%
3			152	19%
4			126	16%
5			112	14%
6			69	8%
7			59	7%
8			60	7%
9			18	2%
	Excellent		19	2%
			Total	812
				100%

It's important to state that the sample used for Poll 4 was not intended to be statistically representative of the general public, or even of the older general public, but it was instead a non-probability purposive convenience sample selected to help us explore a wide range of issues surrounding franchising.

The sample was purposely biased towards those in the over-50 age group likely to be more interested in self-employment and starting a business. This was achieved by the locations in which we polled, and by asking people a single qualifying question about their age.

Without selecting the sample in this way we might have had too few subjects in the categories we were interested in, and too few to explore possible relationships between variables. Appendix P4 has more information about the procedure adopted.

If anything this means the results are likely to overstate awareness of franchising rather than understate it. So ignorance of franchising is probably even greater than the replies to the question above suggests.

However, our respondents, three quarters of whom were in their 50s and 70% of whom were male, did seem to have a fairly accurate idea of franchising costs. Their estimates were broadly similar to the replies given by the professional

business advisers of Poll 3 or the costs reported in the latest NatWest/BFA survey (see Chapter 5).

This is important as cost is one of the main factors that puts people off franchising (see below).

6.10 Franchising as a way into business

Over half (55%) of respondents were considering starting a business or going into self-employment. This in itself means nothing, as we had chosen the sample purposely to include plenty of such people.

However, what is significant is that over two-thirds of those thinking of starting a business or going into self-employment would consider a franchise. This ratio is unlikely to be greatly affected by the way we selected the sample.

Comparing the answers to the two questions gives us the following table.

Q: Are you considering starting a business or going into self-employment?		
	Q: Would you consider taking up a franchise as a way of going in to business or self-employment?	
	Yes	No
Yes	68%	32%
No	15%	85%

What this means is that of those saying Yes to starting a business 68% would also say Yes to considering a franchise, while 32% wouldn't consider it.

Surprisingly, just over 15% of those who weren't thinking of starting a business or self-employment also said they would consider a franchise. This could mean they look upon franchising as a form of employment - perhaps even "buying a job".

6.11 Franchising propensity, age and gender

If we look at just the question about taking up a franchise, we find that 45% of those answering the question would consider it and 55% wouldn't. Again, in themselves these figures don't mean much because of the likely pro-business bias of our sample.

However, comparing the replies to this question with what we know about the respondents' age and gender again yields interesting results.

There appears to be a very strong connection with age, here broken down into decades and with enough respondents to make it meaningful. For our sample just over half of those in their 50s would consider franchising, falling to under a third of those on their 60s and under a tenth for those in their 70s.

Q: Would you consider taking up a franchise as a way of going in to business or self-employment?

	Age:		
	50 to 59	60 to 69	70 upwards
Yes	51%	32%	8%
No	49%	68%	92%
Total	100%	100%	100%

If we do a similar thing for gender we get the following picture - but be warned, it is misleading:

Q: Would you consider taking up a franchise as a way of going in to business or self-employment?		
	Sex:	
	Male	Female
Yes	48%	29%
No	52%	71%
Total	100%	100%

So for our sample just under half the men would consider franchising, but less than a third of the women.

However, while true this is misleading because age may also be playing a role. With older people what appears to be a gender effect is sometimes an age effect in disguise because women survive for significantly longer.

This is probably the case here, as while 80% of the male sample are in their 50s, only 62% of the women are, with the rest being in older age groups that are less interested in franchising. Gender itself may be having little independent effect here, instead serving as a proxy for age

6.12 Common personal attitudes to franchising

When we asked the Poll 4 sample whether they'd consider taking up a franchise we also gave them the opportunity to say why in their own words. Some of the 533 responses are given in Appendix P4, where they grouped into themes for analysis.

It's not possible to exactly quantify the more popular reasons, as they were often complex and expressed in various combinations. But support was very clearly the main attraction of franchising to people saying Yes to the question, followed by a perception that the risk of failure was lower and that it was possible to get a franchised business going more quickly.

Also mentioned a lot by the positive respondents was the lack of other suitable jobs.

In the No camp there were also several common themes. The most-cited reason given by those saying No specifically to franchising was the initial expense and ongoing need to share the proceeds of the business with the franchisor. And there were many respondents who wanted to retain full independence and develop their own business ideas, and gave that as their reason for saying No.

Age and strongly age-related reasons were also mentioned a great deal by negative respondents, but would probably be a disincentive equally for any other arduous business venture.

Risk came up as both a Yes and No reason. What seems to be going on is that a significant number of people in the Yes camp see franchising as a way of reducing business risk, but others find the risk of starting any kind of business as daunting - or consider franchising itself risky.

6.13 Support requirements of possible franchisees

We also asked our large Poll 4 sample "What support or services do you think you need to help you into business or self employment?"

If we look at the answers from those who also said Yes to the considering franchising question, the top 10 answers in order of popularity were as follows.

Top 10 support requests from would-be franchisees:
1. Preparation of business plans
2. Guidance regarding sources of finance
3. One-to-one discussion of business ideas
4. Guidance as to suitability for self-employment
5. On-going business mentoring
6. Business training
7. Training in market research
8. IT training
9. Opportunities for group exploration of business ideas
10 Vocational training

The top three answers - help with preparing the business plan, with finance and talking the idea through, were well ahead of the others.

This list is rather different from the advice requested in Poll 2, where the top priorities were accounting and sales & marketing. But the Poll 2 respondents were much further down the road to setting up in business as franchisees - and indeed in some cases had already done so. People's support needs may well change as they go through the start-up process.

Chapter 7

Conclusions

7.1 Scope and limitations of this study

Based on what we've learned so far, we are now in a position to highlight the key issues to do with franchising and the over 50s. This chapter identifies issues that policymakers, franchisors and the business support sector need to consider if franchising is going to be a realistic employment option for a greater number of older people. It also has some practical pointers for potential franchisees.

It's important to make clear that this study did not look into the whole off-the-shelf business opportunities market. Instead, by concentrating on business-format franchising, it turns out we've mostly been exploring the top end in terms of both entry cost and the quality of the propositions on offer.

PRIME believes further research is a priority into other options that have lower entry costs, such as party-plan selling, network marketing and other kinds of direct selling and home-based business - including the more proven online contenders.

This and other suggestions for further research are covered in more detail in the next chapter. Here we're interested in the lessons learnt from this study.

7.2 Franchising is an appropriate solution for some over 50s

The good news is that we found few signs of age discrimination or ageism in franchising. This means that franchising is one of the few "solutions sectors" truly open to older people. There may still be issues of access to do with cost, the number of good franchises available and various other pitfalls. But franchising does deserve to be on the list of options supported by PRIME because age - at least for those in their 50s, doesn't seem to be much of a barrier at all.

Franchisors mostly seem well-disposed towards older applicants, and value things that often come with age - for example experience, a mature attitude to customer service and an ability to follow established procedures - not to mention possessing an accumulated stock of capital. If anything the discrimination here is in favour of older people.

We found a high level of satisfaction, with just a few exceptions, among those in our age group who have successfully negotiated the franchising route into business.

The contrast with the conventional employed sector is stark, where many people their 40s and 50s are worried that their employer wants to replace them with someone younger, and where hiring a person already in their 50s is rare.

Franchising can potentially offer a sustainable livelihood for the final decade or two of your working life. It is certainly worth considering - perhaps before your employer finds a pretext to suddenly oust you.

However, franchisors also want energy, an often-substantial investment and compliance with their own way of running the business. Before you can buy the more desirable franchises you often have to get through a demanding and competitive selection process, so franchising is not without barriers of its own.

The best franchisors are highly selective. This is a good sign (better than them just taking anyone's franchise fee, overselling territories and diluting the quality of the network), but it means the level of drive and sometimes experience required is high.

You also have to be willing to follow procedures devised by someone else. Poll 4 showed that many older people rule themselves out for franchising because they don't want to follow other people's rules any longer, don't want to risk their life savings or simply feel it's time to wind down.

But we found it is not till people are in their 60s and 70s that a really significant decline in interest in franchising or starting a business kicks in. As the franchisee case studies testify, many people in 50s and early 60s are very committed to working and still keen to start out on their own.

"The main benefit of franchising for me is that what I've done before in business has been lonely. Now I have a very good support system. At any time I can phone and there's someone there I can talk problems over with. I'd encourage people who want to work independently but would like backup to get a franchise."

Recently-started franchisee, Poll 2 - see Appendix P2.

7.3 But the entry cost is a barrier to many

So if age itself isn't a barrier what is? The answer from many of our respondents was money, for significant capital investment is often required. You need to be able to find not only your initial investment, but also enough to cover your business and living costs during the start-up period.

The average initial investment made by franchisees was around £42,000 according to the 2005 NatWest/BFA survey (see Chapter 5). And the would-be franchisees that PRIME polled expected on average to spend over £30,000 before they could start trading - which was very close to what the established franchisees told us they had spent. So while costs vary between sector and preferential finance packages are sometimes available, the investment sums required can be off-putting.

The initial investment is made up of the franchise fee, which our research found was likely to be at least £10,000, and other start-up costs which will vary according to the specific business. We found that the cheaper deals were mostly of the job-franchise type, where the franchisee is both owner and operator and provides all or most of the labour.

This initial investment is not the only investment required. Both the franchisees and the professional advisers we talked to pointed out that you also need to have funds available to support yourself during the whole start up period. It can take months or years before the business can cover its own costs and start to generate an adequate income.

So people with insufficient personal wealth or problems accessing bank finance are likely to face difficulties getting involved in franchising. The latest NatWest/BFA survey supports this conclusion - it found only a very small proportion (6%) of respondents had come into franchising from redundancy or unemployment.

Although franchising can and does provide some of the over-50s age group with a livelihood, it is less likely to represent a solution to individuals facing multiple disadvantages. Franchising is not an option for those who cannot raise the necessary capital.

"Make sure you have enough money, both to start up then trade and live whilst the business is growing."

About-to-start franchisee, Poll 2 - see Appendix P2.

7.4 Franchising can make only a small dent in the big problem

How many older people can realistically take the franchise road?

According to the NatWest/BFA survey there are only around 33,000 franchisees (or franchise units - effectively the same thing) in the UK. This number has remained fairly stable over recent years. If we allow for a 10% annual turnover rate, that means only about 3,000 franchisee slots are available each year - for all age groups.

Now put this in its overall labour force context. There are at least 500,000 and possibly as many as 900,000 people in the UK over 50 and below state pension age that want to work but who are currently economically inactive. To that needs to be added the many people currently in employment who are worried that they'll lose their job because of their age.

Many older people in conventional jobs suspect that it can't continue for much longer, and that one way or another they are going to eventually going to be made redundant or otherwise displaced. The self-employed in some sectors have similar worries as they get older, as their network of contacts dwindles and the people who hire them start to disappear from their posts. This growing unease about whether the present livelihood can continue comes out clearly in two of the Chapter 4 case studies (4.3 Pratley and 4.9 Greenan)

That this category of worried people is large is born out by calls to PRIME's office. Many callers are motivated to set up in business or change employment precisely because they feel their present work may disappear.

Both these groups - the already workless and those fearing their present work will disappear, are potential franchisees. But there are huge numbers of them. So though it can help, franchising as a solution to the employment needs of the over 50s is dwarfed by the scale of the problem.

7.5 The lower-cost options may be more risky

If franchising is only part of the solution, then what else can the business opportunities market provide? There clearly is a general need for more low-cost, off-the-shelf businesses.

This study did not attempt to answer this question, but we suggest some of the candidates to research in the next chapter. These include structured business formats with some similarity to franchising, such as party-plan selling and direct selling, and also network marketing and home-based businesses including eBay trading and day trading.

However, many of these carry a higher risk level than franchising, and you generally have less information at the time you get involved. PRIME is concerned that the search for a low-cost business will lure older people into the jungle of work-from-home and "make money while you sleep" schemes. These carry different risks that need to be fully understood and evaluated at the outset.

There may be a need to look again at how the business opportunities market is regulated. The next chapter goes into more detail about researching improved safeguards. But there does seem to be a severe lack of sensible business opportunities with low start-up costs that fit the needs of the over 50s.

"Prospective franchisees often look for the cheaper franchise which turns out to be more a licensing operation, where they get little or no support or where the trading name is not well known. The better franchisors offer an accepted route to market, ongoing support and are more interested in the growth of the franchisee operations than in simply getting as many up front payments as they can."

Business adviser, Poll 3 - see Appendix P3.

7.6 Quick return to work is often urgent and important

There is a major time issue for some older people, brought out in some of the franchisee quotes and case studies. It's not that they are getting older by the day, like everyone else. It's that if they have no other income they are likely to be consuming their capital. Every month that goes by reduces the amount of money remaining from the redundancy cheque, pension lump sum, legacy, re-mortgage or golden handshake. Capital potentially available for the business is spent on living expenses.

So information and advice that will help them find the right business has to be available promptly, or the opportunity to get into a good franchise may slip away. Rapid re-integration into the world of work is vital. There's a risk even for individuals who start off coping well that they'll end up detached from the world of work altogether, and join the hundreds of thousands of "discouraged" workless people over 50 in the UK.

"It was apparent that a lot of people in a similar position to me had not been able to make a decision at all, and had then used a substantial amount of their redundancy money for income - making it more and more difficult to set up in business."

Franchisee William Pratley, case study - see Chapter 4.3.

7.7 Support sector needs help to promote franchising

Poll 4 showed that relatively few members of the older public would approach enterprise agencies and the Business Link network as sources of advice and guidance on franchising. So helping these organisations promote themselves looks like being a necessary step if they are to play a greater role in helping older people set up in business via the franchising route.

If we examine the answers from the 344 individuals in Poll 4 who said they would consider taking up a franchise, we then find that Business Links and enterprise agencies were first choice for franchising advice and guidance for less than 7% of the respondents. There were in fact sixth and seventh in order of popularity, behind other sources such as business owners, the banks, friends and so on. And their showing was no better as second or third choices, never coming in better than sixth position.

The support sector clearly needs help in boosting its profile as a source of assistance to those considering franchising. Given the wide experience enterprise agencies and the Business Link network have in helping businesses get started, and the mostly publicly-funded resources at their disposal, it is a waste that people don't go to them more for help starting such businesses.

7.8. Support sector has low number of franchising enquiries

The biggest problem for enterprise agencies, Business Links and other support organisations in improving their services to potential franchisees is the relatively low volume of enquiries about franchising that they get.

On average the business advisers we polled in Poll 3 helped 5.5 franchising clients each per year. Roughly a quarter of these clients were over the age of 50.

It's very difficult to justify investing in marketing a service to potential franchisees, and in building the capacity to deliver it if franchising is only a small part of your business. There is a catch-22 situation here, because without some marketing effort only a few potential franchisees are likely to walk through the door.

The costs that need to be considered in building franchising capacity include training for staff and producing or buying in relevant support materials, in addition to the costs directly involved in working with the clients themselves.

But relevant training and support are required if a greater number of older people are to be made aware of the franchising option, helped through the selection process and on into setting up a sustainable business.

PRIME thinks there are three requirements that can realistically be met, building on what is already being done:

- (1) Specialist franchise awareness training workshops - see section 7.9 below
- (2) General business advice and training - see 7.10
- (3) Provision of up-to-date franchise leaflets, guides and handouts - 7.11

7.9 Specialists best placed to deliver franchise workshops

The most cost-effective approach is probably for the bulk of specialist franchise awareness courses to be done by specialist providers, with the support agencies playing a sign-posting role.

The existing free road show programmes - run by the British Franchise Association (BFA) with assistance from the EU's CREATE project, and The Franchise Alliance (TFA) with help from NatWest bank, provide a good start.

The BFA has run one-day workshops with a number of partners including PRIME, while the TFA runs a series of three-hour evening "taster" workshops at different locations around the country.

It's true these organisations primarily represent the interests of the franchisors, not those considering applying to be franchisees. But as long as this is made clear, these one-day or half-day events seem to deliver a good practical overview of franchising, and the attendees we polled were generally well satisfied (see Appendix P2).

Business advisers in the support agencies need to be regularly reminded that programmes such as these exist, so they can direct clients to them if they are appropriate. There may also be room for more experimentation in how the events are promoted - for example PRIME has uncovered some good start-up candidates from posters in pubs, churches and even on ferries.

7.10 Support sector best for general business advice & training

Where the support organisations such as PRIME's partners can make a major contribution without having to invest heavily in building a new capability is in supporting the would-be franchisees' non-specialist needs.

Poll 4 showed that potential franchisees don't differ much from other people starting a business in what help they say they want. What both groups value most is help with preparing their business plans, guidance regarding sources of finance and an opportunity to talk their business ideas through one-on-one with someone.

Business advisers are trained, insured and accredited to do just that. Many of their organisations also have their own volunteer mentoring programmes, or can put people in touch with other regional or national schemes (see Chapter 8, section 8.11).

Polls 1 and 2 revealed something else important about the training needs of older franchisees, and possibly older business starters generally. The respondents fell very clearly into two camps - those with lots of relevant small business experience, and those with virtually none.

What those who already have the right business experience most need is information about franchising itself. But the business newcomers need to know much more - in fact almost everything about running a business and being their own boss.

Of course with franchising it falls to the franchisor to provide much of the training, and franchisors are usually most insistent on having their own procedures followed. But the basic principles of accounting and sales & marketing are almost universal, and could be delivered by another source.

It may be useful for potential franchisees without much small business experience to have the opportunity to swot up before they start going to see franchisors, and to see these disciplines from a wider perspective than just the franchisor's operations manual.

Note that the simple business training many franchisees require is usually not the same as the business training sometimes provided to the long-term unemployed, which often has a remedial aspect and spends a lot of time on confidence building and hand-holding.

The latest NatWest/BFA survey found that almost two-thirds of franchisees were in conventional salaried employment immediately before taking up their franchise. So they may have plenty of confidence and connections - and possibly also money, and may just lack small-business skills.

This does not mean such potential franchisees should be left to fend for themselves. For before they can become franchisees they have to get through what can be a searching selection process. They may indeed be unaware of many of the tasks involved in running a small business for themselves, particularly if they've always worked in large organisations.

The issue is more that older clients, particularly if they've recently experienced rejection or a career reversal, can be sensitive about being patronised. They may easily be put off from getting help that would benefit them if it is presented in the wrong way.

Going on the wrong kind of programme can be de-motivating for a person with a definite business in mind and an urgent need to get started. If it seems too elementary it can damage the self-image of someone who has to go out and sell themselves to a franchisor the next day as a fully-competent ready-to-go business operator.

"I'm not very good on the accounting side. Put figures in front of me and I freeze. A 'How not to be afraid of figures' or an easy accounting workshop would be ideal. I could also do with general financial advice. "

Recently-started franchisee, Poll 2 - see Appendix P2.

7.11 Paper still needed for leaflets, guides and handouts

Apart from general business advice and training, enterprise agencies and other support organisations could usefully offer clients up-to-date information about franchising, including leaflets and guides from a variety of sources, event details and contacts. However, they are unlikely to do this without help.

PRIME feels business support organisations should take franchising more on board as an option. But we recognise it is likely to be a minor part of their mission, and few will have the resources to spend much time or money on amassing their own materials. So it has to be presented to them on a plate or they won't do it.

This is one of the things the CREATE project was set up to do - and is already doing, particularly with its web site www.createproject.org.uk.

However, we think there is still a requirement for paper-based material. If support organisations have the right leaflets, fact-sheets and other documents to hand they can lend them or give them to people enquiring about franchising. This gives immediate assistance and encouragement to the client, and also reinforces the idea that the support organisation is a good place to get relevant help.

In the next chapter (section 8.10) we suggest researching the feasibility and costs of providing enterprise agencies with a service modelled on the FRILLS Leaflet Service operated by the London Borough of Camden. This gives subscribing organisations a starter pack of relevant literature (in this case mostly self-help leaflets), and regular updates consisting of sample copies of new material together with details of where to obtain more.

Why paper? Surely the Internet is much cheaper and convenient?

It certainly can be a very cost-effective way of distributing material, at least from the point of view of those sending items out. But it's not always convenient for the people receiving them - and it can miss some in the target population altogether if they don't have Internet access or don't visit the web site.

Is the business adviser meant to just give the client a web address - in which case they don't seem to be contributing much to the party? Or are they meant to print the material out beforehand - in which case it's not very convenient for the adviser?

The Internet can fail in an awareness-raising task when we expect too much from the people whose awareness we want to raise - in this case business advisers and their clients. We can't assume they are *already* aware of the relevant web resources, and willing to put some effort into understanding and using them.

If a business adviser only deals with half a dozen franchising enquiries a year are they really going to remember that web address?

The answer is probably No. The web works best when used in conjunction with other forms of promotion. Even just a piece of paper with the web address written on it would be useful, providing it can be found.

But sending business advisers a more extensive and well organised collection of paper materials about franchising would bring greater advantages than just reminding them of an online resource.

For a start it, would allow them to help people who don't have internet access. But equally important, it would supply business advisers with something tangible they can give to any potential franchisee - for example a current list of BFA members, or a fact sheet on franchising costs or jargon.

This would make potential franchisees more likely to regard enterprise agencies and the Business Link network as useful to them, and so more likely to take up the free advice and training already on offer.

"We'd be happy to promote franchising more if you can provide the materials."

Business adviser, Poll 3 - see Appendix P3.

7.12 Key lessons for potential franchisees

1. It's good to talk

If there's a single lesson to emerge from all the franchisees, would-be franchisees and business advisers we have consulted, it is that you must talk to existing franchisees before making any irrevocable decisions.

And not just ones picked by the franchisor, but ones you select yourself and can relate to. Talking to people who are actually doing the job you are considering is the best way to uncover any drawbacks and decide if a franchise is really for you.

"Talk to existing franchisees to see how the business runs and what steps they took to build their business up."

Existing franchisee, Poll 1 - see Appendix P1.

2. Make sure you've got the full financial picture

You need to know the total initial investment required, and the total recurring costs including all likely charges and fees, and when they will fall.

"Whatever figure you come up with for your projected costs, double it as this is what you really will need to succeed."

Existing franchisee, Poll 1 - see Appendix P1.

3. Be prepared for some lean years - especially at the beginning

There's plenty of evidence from the polls and case studies that it's not easy to predict when a business will start to break even and begin paying you money rather than absorbing it. There was widespread surprise among respondents about how long it took, and many stressed the importance of having some money in reserve.

"It will take longer than you think - therefore you need to have sufficient finance to live."

Existing franchisee, Poll 1 - see Appendix P1.

4. Age doesn't matter - but don't ignore it altogether

While age discrimination is thankfully largely absent from the sector, completely ignoring the consequences of age can cause problems. Think things through at the beginning, paying particular attention to clauses in the franchise contract that bear on decisions you'll have to make a few years down the line, such as termination and renewal.

5. Consider what happens if you get ill

Check the performance clauses of the contract to see if any penalties might apply, and also the provision for early termination. With job franchises the contract may require the franchisee to arrange for alternative cover if they are unable to provide the service themselves - potentially a very major expense.

6. Make sure it's really an accredited and approved franchise

Three quick tests: it's unlikely to be a business-format franchise if you get no exclusive territory, there's no proper operations manual and you're not recruited directly by the franchisor, but instead by some distributor or agent. An even quicker test is "Does it belong to the British Franchise Association?", but not all franchisors are members.

For other schemes, particularly those where most of the participants are not VAT registered, the message must be to check it out with great care and get solid, independent advice before proceeding.

7. Do your homework

Do lots of research, be very critical of all aspects of the proposition and check the contract. Throwing caution to the wind is not advisable. Be prepared to negotiate with the franchisor to get what you want and do not be rushed into anything. Don't do it until it feels right.

These are all quotes from Poll 2 respondents - see Appendix P2.

Chapter 8 Further research and action

8.1 Introduction and index to proposals

This chapter suggests actions that PRIME, its network of partners and other stakeholders could undertake to help more people over 50 successfully use the franchise route to set up sustainable businesses.

It also indicates where further research would be useful to enhance our understanding of franchising, and of other types of off-the-shelf business that older people interested in franchising might also be attracted to.

Since there are nearly 20 proposals, we list them below, together with the section number in which they discussed in more detail.

Immediate practical initiatives

1. Providing franchising material to business advisers - section 8.10
2. Providing mentoring as a form of franchisee support - section 8.11
3. Providing basic legal advice to would-be franchisees - section 8.12

Possible campaigns

4. Encouraging resale and recycling of one-off businesses - section 8.13
5. Improving regulation of franchising sector - section 8.15
6. Improving regulation of low-cost business opportunities market - section 8.15

Further research into franchising

7. Longitudinal study into business outcomes and fate of franchisees - section 8.2
8. Cost of franchising - section 8.2
9. Women in franchising, especially reasons for recent influx - section 8.3
10. Job franchises and their implications in more depth - section 8.5
11. Investigating representation of UK franchisees - section 8.14

Research into neglected areas

12. Low-cost business opportunities, the urgent need to research - section 8.4
13. Trading schemes and other non-franchise selling businesses - section 8.6
14. Party-plan selling - section 8.7
15. Network marketing and multi-level marketing (MLM) - section 8.8
16. Online businesses, eBay - section 8.9
17. Online businesses, day trading - section 8.9
18. Online businesses, spread betting - section 8.9

8.2 Specific gaps in understanding requiring further research

(1) Age of franchisees, particularly when they first started out.

The NatWest/BFA survey, the largest regular survey of the sector, asks people how old they are at the moment, but not for the age at which they took up their first franchise. It would be helpful if the next survey could specifically ask this. We were able to ask the people we talked to, but they were a much smaller subset of the franchisee population.

(2) Cost of franchising, especially the average across the sector

We were able to establish that initial start-up costs are an important barrier to more 50-plus people taking up franchises, but not with certainty what the average initial investment is across the whole sector. The previous chapter (section 7.3) gives our best estimates, and Chapter 5 that of the NatWest/BFA survey, but there are some reasons for thinking that these figures overstate the true average cost.

This is because both samples are top-heavy with BFA members. Fewer than half the UK's recognised franchisors are in the BFA (see section 8.15 below). There are grounds for thinking that these are among the more expensive franchise systems to join. It is possible non-BFA members may be cheaper.

This may be because there are significant costs for the franchisor associated with compliance, or because membership attracts more applicants and makes the franchise a premium product.

Of course non-BFA members may also be riskier propositions, or come with less effective training and support. But those are other issues. First what needs to be established is whether there are significant numbers of genuine business-format franchises available at lower costs than our BFA-dominated sample suggests.

(3) Outcomes - the fate of franchisees and their businesses

What happens to older franchisees after they start their businesses? Poll 1 and the case studies in Chapter 4 give some glimpses of possible outcomes, but this report cannot say whether they are typical or not. We've been able to give a few snapshots, not the complete picture.

Getting an accurate overview of outcomes is a major difficulty for research into business start-ups of all types. Sometimes the problem is simply ignored and just the success stories are reported. The question the impartial observer should be asking is what happened to the other people who started out.

A more academically respectable approach - but one that is more difficult to arrange and fund, is the longitudinal study. Here the same businesses are tracked over a number of years. This would be very useful in the case of over-50s

franchising, where many of the most critical questions are to do with what happens as these franchisees get older, and possibly slow down, get sick, sell-up, retire or die.

PRIME, the Prince's Trust and the National Federation of Enterprise Agencies are collaborating on improving their ability to keep track of what happens to their clients over time. Only when we have such systems in place will we be able to do longitudinal studies relatively affordably.

But it's not simply a question of having the right technical and administrative capability. Clients themselves sometimes deliberately disappear from view, but not equally across all the outcome categories. It's only human for people with thriving business to be more willing to talk than those who are facing collapse, where talking could be both humiliating and risk further damage to the business.

The way business support agencies are funded can also have a bearing on how the fate of clients is reported. If agencies are rewarding for achieving a certain success rate then there is an incentive for them not to count early drop outs in the outcome figures they report to their funders. Funders have their own agendas and may prefer a whole lot of success stories to the wider picture.

Some organisations use a system of stages that helps forestall such reporting problems. For example, the stages might be defined as initial enquiry, submit business plan, start trading, submit first year accounts, complete year two, complete year three and so on through to business exit. This way, clients who disappear from view later in the process leave at least some trace and can be included in an overall statistical assessment.

A similar approach with stages appropriate to the franchisee life cycle would be helpful in getting a more complete picture of what becomes of late-in-life franchisees.

8.3 Researching the influx of older women into franchising

What's behind the recent influx of women into franchising? According to the NatWest/BFA survey, their participation has risen appreciably over the last decade (see Chapter 5 section 5.2).

Two possible explanations or hypotheses suggest themselves. They could both be directly tested by looking at the sorts of franchises women take up - although again you would need a large sample to have much chance of finding out what's happening in the smaller categories.

The first explanation is that it is the greater availability of franchises in sectors like childcare, education, hair & beauty and care for the elderly, where women make up many of the customers and much of the workforce. Some of these sectors have also received a boost from government deregulation, which has opened up more niches for private business, including franchising.

The second hypothesis is that women are being attracted by a greater availability of franchises that can be operated part-time. So perhaps it is this - rather than any familiarity with or congeniality of the sector - that is the decisive factor.

PRIME wants to know about any types of franchise that are proving especially suitable for older women, particularly those with little previous experience of self-employment. We'd also like to know the age of the recently-started female franchisees.

It also may be worth investigating further what differences if any there are between the genders in their approach to franchising. We found no significant differences on any of the things we asked about, including confidence - women were just as confident. But we didn't address the full range of supposed female characteristics that might be especially fitting for franchising, such compliance and willingness to accept training.

There is an opposite hypothesis about women in business - that they are much less inclined to start in business in the first place. This then leads researchers to look for the disadvantages and barriers that might be stopping them.

Our own research didn't find evidence to support the first statement. Although women over the age of 50 were less inclined to take up a franchise than 50-plus men, this had more to do with the fact that the older women in our sample were older than the men, rather than any inherent gender effect (see Appendix P4, section 4.7). Age rather than gender was probably the inhibiting factor.

To get to the bottom of this it would be necessary to compare men of a certain age against women of exactly the same age, in narrow age bands. This would require a large sample. Based on our present knowledge we suspect that gender itself is playing little independent role in putting women off. And evidence from the NatWest/BFA survey suggests that fewer and fewer women are being put off.

8.4 The need to investigate low-cost business opportunities

The biggest gap in the present PRIME study is that it hasn't looked at the low-cost end of the business opportunities market. We have concentrated instead on business-format franchising, which tends to be both more expensive and less risky.

It was not in the original brief to look at the world of party plans, multi-level marketing, network marketing and door-to-door selling in this report. So while we've concluded that franchising has much to recommend it for those who can afford it, we're not in a position to say much about the cheaper business opportunities many in PRIME's target group will be attracted to.

Business opportunities that have a much lower cost of entry are highly relevant, because it is to these options that many of our intended beneficiaries are likely to be drawn.

It's useful to consider the cheaper options under two broad headings. The first is cheaper franchises, which will most likely be of the job franchise type. They may not all be BFA members, but most are still genuine business-format franchises. We go into the research questions for this category below, in section 8.5.

The second broad heading is low-cost structured off-the-shelf business opportunities other than franchising. By structured here we mean that the proposition is more than just a money-making idea, and that it is available in multiple units - in other words it's not just a one-off business that's for sale.

There are a large variety of different business propositions of this second broad type available for purchase. They aren't franchises, and they raise different issues and in some cases concerns. Ideally all the most actively promoted types of scheme merit attention, because they are the ones to which people looking to buy into an existing structure are most likely to be attracted.

We go into some of the issues worth investigating below for party-plan selling (section 8.7), multi-level marketing and network marketing (section 8.8), and eBay and other forms on online trading (section 8.9).

The fear with low-cost business opportunities is that you will get what you pay for - in other words, not much. For example, you may get much less training and support than with an expensive franchise, because there is less revenue coming in to pay for it.

8.5 Job franchises and their implications in more depth

Job franchises, the kind of owner-operator business defined in Chapter 2, section 2.3 above, are generally the cheapest sort of business-format franchise.

This report has covered the whole field of business-format franchising, including job franchises as well as management franchises. But we have inevitably skipped over some issues of special interest to potential job franchisees. And we have also ignored some larger implications of job franchising that may well be of interest to policy makers.

Three areas in particular would benefit from more attention.

(1) More job franchisees in the research sample

There are many different job franchises, and the samples used for our polls of franchisees and those considering franchising did not reflect the full range. In particular we not find enough people involved with the cheapest or newest franchises.

This last point is significant, as new job franchises are constantly being set up. Potential franchisees have to weigh up the disadvantages of joining a small network with little track record or brand presence - and probably no BFA membership, against the advantages of "being in on the ground floor".

(2) Specific issues affecting job franchisees

There some things potential job franchisees need to look into particularly carefully because problems have arisen for other franchisees in the past.

One such area we have already mentioned in this report is the need to check the franchise contract to see what happens if you can't operate the service for some reason. Are there penalties, or do you have to pay for someone else to provide cover?

Then there's the whole question of resale value, of particular interest to those nearer to retirement. Is it really possible as an owner-operator to build up goodwill or other equity you can sell when you leave the business, in the way you often can with a premises-based management franchise?

Other issues could include territory - can other franchisees encroach on yours? Are genuine exclusive territories harder to secure in job franchises than management franchises, and if so which sectors are the more problem prone? Is cost involved again here - are the cheapest the most risky in this respect, or is that not the way it works?

Here we can pose the questions we've come across as theoretical issues. But what's needed is to answer the questions factually by talking to a large sample of

job franchisees to find out what actually happens - particularly in the franchises that are cheapest to buy. In the process other issues may well be uncovered.

(3) Macro economic and policy issues

We've ignored as too academic for this report several large macro economic issues that might be relevant, such as "Does helping someone into a job really create a job, or just deprive someone else of it?"

However, a thorough treatment of job franchising cannot completely ignore such large-scale questions, as there have been major political controversies in the past that directly bear on it. In particular there were disputes over the "lump" in the construction industry of the 1960s, and over IR35 (a tax change) in the IT and engineering services sectors from 1999 to date. The resulting policy initiatives materially affected, sometimes severely and for the worse, the plans and livelihoods of large numbers of ordinary people.

For job franchising is a form of self-employed sub-contracting. Growth in job franchising inevitably raises certain issues. If jobs that were once performed by paid employees become job franchises, what implications does that have?

You can ask this question from several standpoints. For the individual worker, are remuneration, conditions and opportunities better or worse? In some cases it should be possible to directly research this, by comparing franchisees and employees doing essentially the same job - milkmen (now referred to sometimes as rounds-people) for example.

A key question from the point of view of the HM Revenue & Customs (the new department formed from the Inland Revenue and HM Customs & Excise) is whether tax revenue is raised or lowered. This is important because if job franchising becomes more common HM Revenue & Customs may be prompted to take action if it thinks it is losing money.

You can also ask questions from the standpoint of organisations concerned with community development and the relief of unemployment, like PRIME and its partners. Does an increase in the number of job franchises create jobs, or is it merely a change of form - like from unincorporated sole trader to limited company? If it's just a change, will it have any other important consequences, such as a change in the type of person who does the jobs or their training needs?

These questions matter to the business support sector because it is largely funded by regional development agencies or other arms of local, central or European government. Franchising will only get support from publicly-funded bodies in the long term if it helps them achieve their policy objectives.

8.6 Trading schemes and other non-franchise selling businesses

Turning now to low-cost business opportunities that aren't franchising, it is helpful to separate them out into different categories for research because they all have different pros and cons. The jargon used in this world is confusing, so you may need to consult the glossary in Chapter 10 at some points in this discussion.

Most of these low-cost business opportunities involve you in selling, usually as a self-employed agent or distributor. Party-plan selling (section 8.7) is an easy-to-understand example many people will be familiar with, but there are plethora of other selling approaches, each with their own pros and cons.

According to the Direct Selling Association, over 21,510 people worked full-time as self-employed sellers in the UK in 2002, and over half a million worked part-time (less than 30 hours) in the industry. This makes it a far larger sector than franchising, certainly when the part-time workers are included. And the high proportion of part-time participants (over 95%) makes this a sector that is both easy to get into and likely to appeal to many older workers.

However, it may sometimes be in the interests of a scheme's promoter to have large numbers of self-employed agents recruited, to give them overlapping territories and then to adopt a sink-or-swim attitude - rather than taking the time to select and properly train the best candidates. So there are both opportunities and dangers in this easy-to-enter world.

Selling schemes can be categorised both by the method used to sell to customers, and also by their organisational structure - by how the sales people themselves are recruited and compensated.

Examples of common sales methods are party-plan selling, person-to-person appointments, door-to-door selling and telephone sales. Examples of organisational structures are network marketing and multi-level marketing

From the point of view of someone wanting to start a self-employed selling business, the organisational structure is very important. It is crucial to understand how recruitment and compensation works, and all their implications.

Easiest to understand is when all the self-employed agents are recruited directly by the main company, so they form essentially a single level. This is the organisational approach used by Avon and Tupperware. It is also common in the financial services sector.

Alternatively, they can be organised in multiple levels, with each agent encouraged to recruit others. This is known as multi-level marketing or network marketing (see Chapter 10, glossary). Kleeneze, Mary Kay Cosmetics and Cabouchon are examples of companies using this organisational approach.

There's an urgent need for new research and trustworthy, objective explanatory material in this whole area, since some of the trading schemes are very hard to understand and there have been abuses in the past.

Abuses can take the form of exaggerated earnings claims, pressure to buy too much stock or go on expensive training courses, or the over-rapid expansion of the sales network which can be detrimental to existing sellers or even lead to the failure of the whole business. We go into the legal and regulatory issues more in sections 8.12 and 8.15 below.

What's really required is a broad investigation of what happens to people who get involved in all the most popular types of self-employed selling business. The sample would need to include people operating network marketing and other multi-level marketing businesses, as well as simpler single-level direct selling. Tracking the same people over a number of years - a longitudinal study in other words, would be ideal. But any objective research would be welcome.

8.7 Party-plan selling

Party-plan selling is a popular form of "direct-selling", where you go into business as a self-employed agent selling the products of another company. With party-plan selling, rather than arranging one-to-one personal appointments or going door-to-door, you demonstrate the products to a group of people, usually in the home of a customer who has agreed to act as the hostess for a small fee.

Most of the major brands using the party-plan method such as Tupperware, Ann Summers, Weekenders and Body Shop at Home target women customers. But the approach has also been used for selling to mixed audiences, for example books and gifts.

Party-plan businesses are very cheap to get into and likely to appeal because of their flexibility too. They appear to be something you can do on a part-time basis as and when you feel like it. This is something many older people are looking for. Of our Poll 4 respondents, 44% who were considering starting a business said they were looking for a moderate income.

But as with any off-the shelf business there may be pitfalls to watch out for too, and any research into party-plan selling needs find out how serious and widespread they are, and whether they can be easily circumvented.

For example, in many systems you don't get an exclusive territory, and even if you do there can still be problems from other sales agents encroaching on your customer base. There may be poor support that you can only fix by paying to go on training courses at your own expense. And there could be unanticipated marketing costs in reaching additional customers after you've exhausted the obvious targets in your immediate personal network,

To form an accurate view of whether party plans are a good option for PRIME clients it would be necessary to talk to people in the over-50s age range who have operated such businesses to find out what their experiences have been.

Ideally the research plan should define stages in the business start-up process and then investigate how many people make it to each stage. For example, how many just buy a party plan-starter kit and then drop out after their first party, and how many are still doing after a year, and how many of those starting out make it to the profitable stage?

This is an example again of the need to research the outcomes of all the people who set out on a particular type of business venture. What we really want to know is what proportion of those starting party-plan businesses end up succeeding or failing, and why. This is difficult - it's far easier to just give anecdotes of success or failure - and dodge the issue.

8.8 Network marketing and multi-level marketing (MLM)

Both these similar organisational approaches are present in the UK, and actively recruiting all the moment. Many of the postings to PRIME's web site forum are from people promoting such network marketing and MLM business opportunities.

Fresh research into them is urgent. Business advisers and mentors need to know what is going on, and have simple material to hand to help them explain these often complex and jargon-laden schemes to their clients.

(1) Distinctive features

A distinctive feature of both these organisational structures is that you are likely to be recruited into them by another self-employed sales agent or distributor (your "sponsor"), not the manufacturer or brand owner whose name is on the product. It is also rare to get an exclusive territory.

But if you go ahead and become a distributor yourself, you have two ways of making money. In addition to making commission on your own sales, you can also get commission on the sales of other people that you recruit as distributors. In a similar way, the person who recruited (or sponsored) you will make commission on your sales.

Because every salesperson in the structure has a financial incentive to recruit more salespeople, these networks can grow rapidly in a particular area. The worry with any business model that involves recruiting large numbers of self-employed sales agents without exclusive territory is that the market for the product or service will saturate.

Recruitment beyond that point implies intense competition between the agents as they chase essentially the same customers, or possibly direct exploitation of them as a revenue stream in their own right through starter kits, stock, training and so on.

This sector is regulated, but the regulations may already be out of date. It is illegal to directly reward the recruitment of new participants with for example a bonus, but it is permissible to reward recruitment indirectly with commission on the recruits' sales. This can amount to pretty much the same thing in terms of the sort of behaviour it encourages.

It is often difficult for people considering joining such schemes to gather enough information to make an adequately-informed choice. It is also difficult for researchers to investigate them using ordinary market research techniques.

What you really want to know is where the money is coming from - is most of it coming from legitimate customer sales, or is a big chunk coming from the contributions made by the distributors themselves in fees, stock, training and unpaid labour?

For that you need a complete picture of how many people join a particular trading scheme as distributors, how many drop out, and at what stage. Only then can you start to assess how the success of those who make money is related to the losses made by the failures.

So the research should examine the experiences of those who have already gone down these low entry-cost routes, as well as looking into whether regulatory changes are needed to make it easier to assess the propositions before getting involved. Meanwhile the message has to be to scrutinize them very carefully and take good independent advice.

(2) Special appeal to the older constituency

Part of the appeal of some of these schemes to older people is the hope of a continuing income after retirement - the idea is that the distributors you have recruited continue to sell, and you continue to get commission.

For example one UK-based network marketing company mentions the Pension's Time Bomb on its web site and says you can make residual earnings of 0.8% from your network after retirement.

This scheme may well deliver on this promise and take pains to satisfy all the legal requirements. But there is a question mark over whether commission schemes that allow you to drop out of trading and keep earning are permitted, and if so in what circumstances. Part of the fault here may be with the law, which is not clear.

The DTI's Trading Schemes Guide, a ten-page summary aimed at explaining the basics to potential participants, is itself ambiguous on this point. "In a legitimate trading scheme, payments are essentially linked to genuine selling of goods and services to end users. It is illegal to base rewards for participants on the simple continued participation of other participants."

So it seems clear - you can't retire from a network marketing business and still make an income from sales commissions from the distributors you've recruited. However, the guide goes on "This regulation complements the offence relating to promising rewards based on recruitment. Rewards based on the sale of other participants are not illegal." So it's now unclear again.

What PRIME or CREATE could usefully do here is get a legal opinion of what the law currently says about retiring and living off such commissions.

If network marketing is being touted as a solution for the pension's crisis that individuals can invest in now to protect themselves in the future, the legality and efficacy of that proposition needs to be authoritatively investigated.

8.9 Researching eBay and other forms on online trading

The arrival of online trading platforms such as eBay has opened up new niches for small self-employed businesses in the UK. At the moment little research has been done on them as start-up opportunities. But large numbers of ordinary people are already involved, making further investigation a priority,

(1) eBay

eBay is now easily the dominant online auction platform. But it is not sufficiently widely appreciated that eBay has gone beyond online auctions, which appeal mainly to those interested in high-value collectables and less valuable car-boot-sale type items. It has now gone on to become a general online market where fixed-price items can be traded too. This means it provides a structured trading environment potentially useful for many different types of small business.

According to the company, at least 10,000 people in the UK now rely on eBay to make a living (quoted in an article in the Sunday Times, 20 February 2005). PRIME has had several clients enquiring about eBay businesses, including one who is now successfully making a living trading in vintage cameras with the help of a PRIME loan.

An eBay business can have very low start-up costs - it depends on what you are trading in and how you source the items you sell. It also has some of the advantages of franchising in that you have the assistance of an established brand in finding customers.

It is also like business-format franchising in that many of the processes you require for operating your business are already in place - for example eBay provides you with established mechanisms for building an online presence, resolving disputes and collecting payments from your customers.

So far the whole subject area has received little research attention in the UK. PRIME is on the steering committee of an eBay research project being conducted by Essex University's multi-disciplinary Chimera team. Chimera has so far concentrated on the changes to trading practices that online markets such as eBay have brought about, and the way participants form distinct communities and establish trust. The phenomenon is crying out for investigation from a business start-up angle.

A paper due to be presented at the "Cultures of eBay" conference at the University of Essex in August 2005 may make a start. Lyndsey Miles and Marilyn Davidson of Manchester Business School will report on the experiences of 40 Britons who say their main income is generated from selling goods on eBay.

However, this is still an exploratory study. It would be useful to talk to a larger sample of eBay entrepreneurs, particularly from PRIME's point of view those in the over-50s age group, and to also find out what experience the business support sector has had with people setting up eBay businesses.

What sort of a sustainable income can you generate from eBay? What are the costs, the risks and the problems? How could the existing business support sector help? And most important of all, how many people could turn eBay into a regular livelihood rather than just an occasionally lucrative hobby?

(2) Day trading

Although eBay is dominant in the auctions sector and is making inroads into the trading of fixed-price tangible goods, there are other sorts of online trading business that may be worth investigating. Even apparently highly-risky options seem to have already gained a strong UK following.

Day trading is a way of making money out of the stock market by buying and selling shares (or sometimes currency) rapidly - often within the same day. The point of doing it quickly is so that by the time you have to pay for shares you bought earlier in the day you will already have sold them on. That way you only have to be able to cover potential losses caused by the difference in price, not stump up for the whole amount.

This activity can be highly risky and is regulated and taxed to a greater or lesser extent in different markets around the world. Nonetheless, it is now popular in the UK, and can be done from home by anyone with a PC, a fast Internet connection and a reasonably large opening stake. One UK website devoted to the subject, www.trade2win.com says it has over 35,000 registered members, the majority from the UK.

Is it really possible to make a living this way? What proportion of the people starting out on this route end up losing money rather than making it? What sort of skills, experience and initial capital do you need to do it successfully? These are the kind of questions that need to be addressed.

(3) Spread betting

Spread betting has a similar appeal to day trading, but can be done with less money. Anyone with access to the Internet and a credit card balance can get involved.

It is quite clearly a form of gambling, and the bets are placed with bookmakers, albeit specialist ones. But in the UK many of the bets are on things like stock prices or stock indexes, not on sporting events. Indeed, some firms, such as IG Index, specialise in financial spread betting.

The fact there are so many things to bet on is what gives it its appeal for someone seeking a self-employed livelihood. You are not restricted to a few horse races, but can bet on things in which you may already have - or fancy you have, expertise. And you can bet continuously, 24 hours a day, as often as you like.

Spread betting seems to have taken off in a big way in the UK. As a form of share dealing it has low entry costs, and some apparent tax advantages for the smaller investor. People are doing it for a living, so to completely ignore it is to ignore the possible consequences.

For all these online options perhaps the key thing to find out is how many people are involved. It is quite possible the number of people in the over-50s age group making a living from these exotic and apparently highly-risky forms of self-employment is already close to or even greater than the number involved in franchising. If so, we need to know.

8.10 Providing franchising material to business advisers

It would be helpful for PRIME partners and other similar organisations to have up-to-date material that explains franchising, both for their own use and to give to their clients.

The case for using paper-based material to do this (in addition to the Internet) was given in the previous chapter (section 7.11). Here we outline how it could be done, and the kind of content that could go into such a support package.

(1) The Camden FRILLS model

It's important that such an exercise in bringing franchising more into the mainstream of the publicly-funded business support structure is not a one-off. Although it could start with a big push the real value comes in regularly updating and promoting it, even in a low-key way, over a number of years.

One model of how this can be done without spending a lot of money is provided by the FRILLS self-help leaflet service run by Camden Library Service, an ordinary local authority library service located in North London, See <http://cindex.camden.gov.uk/inform/localhelp/FRILLSLeafletService.html>

Camden selects and distributes a collection of regularly-updated self-help leaflets - including business start-up information, which is sent to subscribing libraries around the country.

The way the FRILLS service works is as follows. It is a subscription service, which around 150 other UK library services, advice centres and community organisations subscribe to. The annual fees they pay range from £80 to £250.

For this they get a FRILLS starter pack, plus monthly updates.

The starter pack consists of a collection of sample leaflets, a directory explaining what leaflets are available and where to obtain more from, and a suggested indexing system which subscribers can use to organise the FRILLS collection.

The monthly update consists of sample copies or new or amended leaflets and details of where to obtain more, suggestions on how to index them, and details of any leaflets that need to be discarded because they have been discontinued.

(2) How it works for the authors of the material

The organisations that provide the leaflets pay nothing for the service, and nor are they paid for them. PRIME contributes leaflets to this service, so here's how it works for us.

Every couple of months Camden emails or telephones to ask us if we have any new or altered leaflets. If we have we send them single copies back to evaluate.

If the librarian thinks the material belongs in the FRILLS self-help collection they will email us back and ask for multiple copies. The number varies depending on how many they want to include in each pack, but will normally be a few hundred.

We then wait. Every so often a library or advice centre that likes the sample they have received in their pack will ring us up directly and request more, so we then send 50 copies or whatever of the relevant document.

It's clear that originating organisations like PRIME are bearing some of the cost of running this system, but it is very low - just the marginal cost of printing an extra thousand or two copies of leaflets that are likely to be popular. What the FRILLS service gives us at no cost is extra reach into parts of the UK community and advice network that we'd otherwise have to market to ourselves.

The system isn't limited to free material, provided the publisher is willing to provide free sample copies to be distributed by the FRILLS service. In this case the directory would contain ordering information for anyone wanting to purchase additional copies.

(3) How it might be done for franchising

Turning now to franchising, it is clear a similar service could provide better access to up-to-date franchising materials in the business support sector.

There are numerous organisations capable of running such a service. But the uptake might be best if it was known and trusted by its target audience, and not directly connected with franchising.

In the Camden model the FRILLS librarian has complete control over what goes into the package. This is essential or the collection could become devalued by inappropriate or off-topic material. It is the task of the librarian to keep the collection relevant to the target audience.

So the National Federation of Enterprise Agencies, or a particular enterprise agency or local Business Link of high standing might be best suited to the task. Casting the net wider, and if the budget permitted, it's possible a library service could do the job on contract - or even a commercial organisation such as Cobweb as long as it is known and respected by business advisers.

Camden's subscription model is not the only way of funding the administration of such a service. Sponsorship might work better, allowing a free service to business advisers, or a mixture of sponsorship and subscriptions to provide a low-cost subsidised service. It's possible a franchising version would be cheaper to run as it may not require such frequent updates.

There are probably no more than a thousand relevant business support organisations in the country, including the 132 PRIME partners, so even if you

want to include multiple copies of some documents the cost isn't large for the organisations originating the materials.

(4) Suggestions for franchising starter pack contents

As always, it's best to keep it simple. Subscribers would get a box of franchising material at the beginning, and jiffy bags arriving at regular intervals thereafter. If a business adviser gets a franchising enquiry they can then go to the franchising box with some confidence they'll find something relevant and helpful to the client.

The material could be specially developed or assembled from existing resources - or a more likely a mixture of the two. PRIME would of course be interested in contributing to such a package. We give some examples of what it could contain below.

Free booklets:

Business Link's two franchising booklets
NatWest guide to buying a franchise (12 page leaflet with inserts)
or similar from another major bank

Contacts lists:

BFA franchisor members
BFA-affiliated lawyers
Organisations running franchise events

Fact sheets:

(Some specially written)
Jargon guide
Franchising versus other structured business formats - the differences explained
The cost of franchising (break downs of total initial investment for different types of franchise)

Statistics & research:

Summary of current NatWest/BFA survey
All or some of this PRIME report
Other reports from the CREATE project e.g. BBACT's

Free samples of paid for material:

Sample issues of:
The Franchise Magazine (Franchise Development Services)
Business Franchise (Venture Marketing Group / BFA)
Making Money (Partridge Publications)
Commercial franchising directories - it may be possible to negotiate a deal.
Relevant Cobweb fact sheets or guides
Relevant Business Hotline Publications fact sheets or guides

Franchisor material:

Some of the educational stuff produced by franchisors is very good.

But the organisation running the service needs to retain full control of what goes into the package to prevent it degenerating into a mass of sales literature - which would undermine the whole concept.

(5) Why it's worth doing

Although the majority of comments by Poll 3 respondents were positive about franchising, few business support organisations are actively doing much about it, so there's little incentive for potential franchisees to view them as relevant.

This initiative fits in well with other efforts to get franchising taken more seriously as an option by the mainstream business support sector.

8.11 Providing mentoring as a form of franchisee support

Another way of getting franchisees off to a quick start is mentoring. Over 40% of Poll 4 respondents considering franchising wanted one-to-one discussion of their ideas, and 30% wanted on-going mentoring.

PRIME believes mentoring is most valuable if done early. Mentoring is a good way of combating the isolation many feel when starting a business, especially if they are used to working as an employee with lots of people around them.

But it can also be helpful later on, even at the exit stage, as older franchisees consider their options for getting out and moving on or retiring.

Mentoring is different to the sort of business support typically provided by professional advisers working for Business Links and enterprise agencies. The two are complementary, with one focusing on the person and the other on the needs of the business.

Mentoring is also different to the sort of support provided by the franchisor. Although with a good franchisor that takes a personal interest this can range widely, the franchisee is in a commercial relationship with the franchisor, and may not want to open up on every topic. The mentor is an independent party with no axe to grind, so the franchisee can talk candidly.

With mentoring the individual mentee is very much in the driving seat, and the programme is tailored to their particular requirements. It can extend beyond the business itself, dealing with such issues as previous debts, general confidence and skills gaps. An early mentor can help the potential franchisee find the most appropriate sources of professional advice and develop the contacts and support network that entrepreneurs often need to succeed.

Many PRIME partners have their own mentoring programmes, or can put people in touch with other regional or national schemes. But provision does depend on where you live, which is why PRIME is working with the NFEA and the Prince's Trust to improve it.

8.12 Providing basic legal advice to would-be franchisees

Franchisees are very much on their own when dealing with the franchisor, particularly at the first crucial stage when negotiating the franchise contract or agreement.

The organisations that provide training and self-regulation of the industry are almost all set up and run by franchisors, and inevitably will reflect their interests.

It seems to PRIME that it might be possible to set out some basic generic legal advice on key points that are likely to be of interest to older franchisees. This in no way removes the need for franchisees to have a solicitor of their own to go through their own particular contract and represent them. But it would alert them to the kinds of issue to look out for, and areas where negotiation might be fruitful.

8.13 Encouraging resale and recycling of one-off businesses

The scale of the small business sector as a whole is vast compared to the numbers involved in franchising. There are roughly 30,000 franchisees - and roughly 3,000,000 million self-employed. So for every franchisee there are 99 people involved in some other kind of small business.

Is there anything we can learn from the practice of the franchising sector that will benefit the lives of the other 99%?

Perhaps there is. The experience of the franchising sector suggests that there is an opportunity for reselling small one-off businesses outside the franchising sector that is being overlooked.

About a third of new franchisees buy an existing business that's an established going concern - usually where the previous franchisee wants to retire. But when the owner of a one-off small business wants to retire resale is much less common.

There already is a well-developed market for reselling businesses supporting by advertising sections in the print and online media, the banks, lawyers and accountants - and specialist brokerage houses. But it does not extend down into smaller-sized businesses or the so-called micro business sector, where when the owner wants out the business often just closes down.

This is a loss for the owners and any employees they have, for their customers and for the people who could have bought often still perfectly viable businesses as going concerns.

PRIME believes it is well worth investigating what could be done to promote the recycling of smaller businesses. The research would need to look at what determines the present lower limit of the resale market, and if there are any policy

changes or other initiatives that could make the resale of a higher proportion of existing one-off small businesses viable.

It may well be that many small businesses are not saleable for good reasons - the personal qualities and connections of the owner may be the key to their viability, for example. But there could still be realisable value in the name, the order book or other intellectual property. Is there anything that can be done to make the market in these more effective for very small businesses?

Since the number of small businesses is very large, even slight improvements could potentially have a substantial impact on the number of affordable businesses available for purchase, and the quality of life of their former owners in retirement.

A nation with a looming pensions crisis - which is likely to affect the self-employed with particular severity, cannot afford to ignore such questions.

8.14 Research on representation of UK franchisees

Franchisees in the UK lack independent representation. In other countries where franchising is common we find completely independent franchisee organisations doing the job of representing franchisee interests to the media and government, as well as sometimes intervening on the franchisee's behalf in disputes with franchisors.

For example, the Australian Franchisees Association, the Canadian Alliance of Franchise Operators and the American Franchisee Association are all very active. The American Franchisee Association (www.franchisee.org) claims 7,000 members.

There are some franchise-specific groups such as Association of Kentucky Fried Chicken Franchisees that UK franchisees can belong to, but these focus on the relationship with a particular franchisor and vary in independence and activity levels.

In the UK the British Franchise Association fills the vacuum and sets out to represent the whole sector to government and the media. But its constitution makes it plain that it is a franchisor body - and franchisees involved in an official capacity are put forward by their franchisor, not elected by their peers.

The BFA has a National Franchisee Forum, which meets up to four times a year under the chairmanship of BFA President Sir Bernard Ingham. But its members are not elected by other franchisees, but instead nominated individually by the franchisors currently on the BFA board.

Does this lack of independent franchisee representation make any difference? Franchisors and franchisees inevitably sometimes have conflicting interests, for

example over how the cake is split when it comes to determining service fees or the use of the advertising fund.

It is also important for the franchisee voice to be heard when government comes to consider how the franchisor/franchisee relationship is regulated, and what information should be disclosed to potential franchisees.

Since PRIME and the CREATE project are only involved in franchising because of the benefit it can potentially bring to people seeking employment - in other words what potential franchisees can get out of it, the consequences of this weakness in their representation is of interest.

Do UK franchisees get a rougher deal than their America, Australian and Canadian counterparts as a result? Do franchisees and potential franchisees have more rights in law in these countries? And are there any other bodies active in the UK that fill the gap, or could potentially do so?

For example, what do UK small-business organisations do for franchisees, or are they more interested in their franchisor members? Do trade unions have any involvement with the owner/operators of job franchises, or do they consider them as belonging to the wrong class?

It is possible UK franchisees don't want an independent franchisee body, but do we have any evidence for this? Would something more on the lines of a mutual business support club or mailing list be more useful, perhaps one targeted more towards beginning franchisees? We won't know unless we ask them.

8.15 Improving regulation of the business opportunities market

There are two distinct areas of concern - franchising itself, and then more urgently and seriously, other business opportunities to which people interested in franchising might be drawn, notably cheap-to-enter trading schemes.

(1) Limited reach of the self-regulatory regime for franchising

This report possibly presents a rosier picture of the franchising sector than the one that all franchisees will encounter. This is because for logistical reasons the report relies heavily on contacts provided by the British Franchise Association (BFA) and The Franchise Alliance (TFA), whose members tend to be well-established franchises that have agreed to accept the BFA's code of ethical conduct.

The BFA's code requires good practice such as the disclosure of full lists of existing franchisees to potential new recruits. This sort of information greatly helps would-be franchisees find something that is above-board and suitable for them personally.

Unfortunately not all of the UK's recognised franchisors are in the BFA. Fewer than half are. The BFA currently has 127 franchisors as full members, 55 as associate members and 105 in the provisional-listing category. The total comes to 287, which amounts to just over 40% of 718, the total number of UK franchisors given in the NatWest/BFA study.

If we consider just the BFA's full and associate members categories, in other words all the franchisors with at least a year's track record who have submitted accounts and the required disclosure documents, then the franchisors who have been through the vetting process come to around just 25% of the total. Note that the 10 franchisor companies who make up TFA are also members of the BFA, so they do not add to the number vetted.

Incomplete coverage is a weakness common to voluntary self-regulation schemes, and it must be a cause for concern. It is arguable that the BFA simply does not reach a large enough proportion of the franchising sector to guarantee good regulation.

However, it is still possible for the BFA to exert some influence on non-members by affecting people's expectations of the industry. For example, if potential franchisees deal with BFA members and perhaps read the BFA's code of ethical conduct, they may well demand similar treatment from non-BFA members. However, it is perhaps more of a hope than a certainty that they will get it.

If self-regulation does not work the next step is regulation by statute. The last significant changes to the law that had any bearing on franchising were several years ago. However, there are still big differences in the way that the 25 countries in the European Union define and handle franchising, so the impetus to harmonise and possibly change the law may come from the EU level.

(2) Big gaps in protection in the low-cost business-opportunities market

But it's below the franchising market that the real need to think again about the adequacy of the present regulatory regime is pressing. Existing regulations deal with only a sub-set of the problem, leaving people looking for a low-cost off-the-shelf business exposed to greater risk that they will end up with a bad business.

This has a knock-on effect for the reputation of franchising, because from the evidence of our Poll 4, it is not well understood by the public and easily confused with other things,

For franchising doesn't exist in splendid isolation, standing out clearly from all other ways of setting up or buying your way in to business. Instead there's a mass of investment opportunities of various business merit and legality, including more than a few deliberately passing themselves off as things they are not.

The business opportunities most easily confused with franchising are the self-employed selling businesses described in sections 8.6, 8.7 and 8.8 above, particularly network marketing and multi-level marketing (MLM).

The difficulty with some of these business propositions is that it is hard to make an informed judgement about them prior to getting involved. The number of other participants already in the scheme is hard to gauge - indeed it may not even be known by the person promoting the scheme to you. In the absence of exclusive territories this is critical information, as any distributor could turn out to be a competitor.

And the full ramifications of the compensation system may not be apparent until well after you are trading. The commission structure is often complicated and not fully disclosed - for example some participants may be on different schemes to the new joiner.

It would be good if some of the good practices of the British Franchise Association could be extended to the low-cost non-franchise selling sector. For example, the provision of a full list of existing franchisees for you to go and talk to is far superior to what many network marketing and MLM distributors receive. This can be just inspirational talks from their sponsor and a few other up-line distributors, with no unfettered contact with other rank-and-file participants.

However, self-regulation is unlikely to work in such a diverse sector with so many different players with different motives and ethical standards. The law covering such trading schemes needs to be tightened up to require much fuller disclosure, so people looking to work as a self-employed distributor or selling agent have much more information to go on prior to signing an agreement.

The compensation structure needs to be fully disclosed at the outset to people entering multi-level schemes. They need full access to other participants on the same level as themselves, not just uplines. And they need more time to back out

without penalty (currently 14 days), as these schemes can take a great deal of time to understand.

A useful starting point would be to look at how the disclosure issue is handled in other countries where network marketing and MLM networks are common, for example in Canada, the US and Australia.

The disclosure approach doesn't provide a complete answer, but it is relatively easy to impose. The potential business owner is in a strong position before they have handed over money or become committed to promoting the product. Some schemes have a cult-like culture, so distributors can lose objectivity once they start participating in events and (often costly) training.

From the research point of view both the banks and HM Revenue & Customs have records that would permit an assessment of the viability of such businesses to a cross-section of ordinary participants. They are unlikely to reveal this material to third parties, but could be asked to evaluate it themselves and then submit an opinion as part of a wider consultation process on improving regulation of the off-the-shelf business sector.

The UK's existing trading scheme regulations mainly seem to be concerned with preventing out-and-out pyramids, but even here they may be ineffective in stopping the more sophisticated modern variants.

A pyramid is a scheme where the main source of revenue is new recruits rather than the sale of the supposed core product or service. They are outlawed because they are likely to collapse, leaving late joiners out of pocket.

So to prevent them the law makes it an offence to pay a bonus for recruiting a new member, and makes it obligatory to include warning messages in promotional material for all trading schemes.

It is possible for such schemes to make money from two sources - from new recruits, or from selling the product or service to customers. If they make money just from the first source they will almost certainly be caught under existing regulations. And if they make money just from the second source they are clearly legitimate, and whether they are good or bad business propositions they are unlikely to attract an insupportably large numbers of participants and become a major hazard.

The difficulty comes in that many trading schemes now make money from both sources. Under the existing law this makes most of them legal, but whether they are viable as businesses to new participants depends on exactly where the balance lies and how the compensation scheme works out in practice. This can be hard to judge without a great deal of information about the compensation structure and the other participants.

Even if a scheme isn't a pyramid under the law, it can still have many of the same effects and create large numbers of casualties. Because what's really wrong with

a pyramid is that it recruits far too many sellers - far more than could possibly run profitable businesses by selling the product.

It does this because the new recruits are themselves a revenue stream for the existing participants. There is no way to turn the recruitment switch off once the scheme is going, because lots of people are recruiting independently. Schemes that have these characteristics can become just as destructive as out-and-out pyramids.

The fact that many of the recruits' businesses will fail is immaterial to the profitability of the scheme as a whole at any given moment, and to the success of those best positioned in the compensation structure to extract value from it. That's why there's an incentive for unprincipled people to keep creating such schemes, and devise ways around the regulations intended to stop them.

From the point of the wider economy and society, where the number of financial casualties exceeds the number of beneficiaries a scheme is making no net contribution to economic welfare. Indeed, if people are losing their savings and going bankrupt, substantial costs may eventually be incurred by the benefits system and thus the taxpayer.

This is why schemes that enrich the few at the expense of the many have to be effectively regulated - and the regulations adjusted from time to time to catch new variants that evade the old safeguards.

From the amount of questionable activity currently going on in the low-cost business opportunities market, particularly the network marketing and MLM sectors, PRIME believes the time has come to do this again now.

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Chapter 5 - UK franchising sector

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email: mailroom@thebfa.org
Tel: 01491 578050

Chapter 7 - Conclusions

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Chapter 8 - Further research and action

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www.cobwebinfo.com
email: enquiries@cobwebinfo.com
Tel: 0191 461 8000

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"The characteristics, motivations and experiences of eBay entrepreneurs - an exploratory study", by Lyndsey Miles and Marilyn Davidson, University of Manchester Business School (2005, forthcoming). To be presented at the "Cultures of eBay" conference at the University of Essex, www.essex.ac.uk/chimera/culturesofebay/Accepted%20abstracts.html

Appendix P4: How the older public see franchising

Global Entrepreneurship Monitor (GEM) - large collaborative project that annually surveys entrepreneurial activity in nearly 40 countries. The UK team is based at London Business School.

www.gemconsortium.org/search.asp?keywords=UK
www.london.edu/facultyresearch5388.html
email: jwalker@london.edu

"Towards a 50+ enterprise culture", published by the PRIME Initiative (2004). New version forthcoming. Download from <http://snipurl.com/PRIMEtowards>
email: prime@ace.org.uk
Tel: 0208 765 7833

Chapter 10

Glossary - guide to Franchising Jargon

Franchising has its own language, and it is necessary to understand the key terms if you want to evaluate a business opportunity properly. We've also included some terms from related ways of doing business that you may come across when looking for a franchise.

Advertising fund or levy

A continuing payment to the franchisor that is meant to be used for advertising. It can be either a fixed amount or a percentage of gross sales. In the UK it's typically around four percent of sales.

Agent

Broadly, any individual who can act on behalf of another individual or company. More strictly, an individual who acts on behalf of another who can make legally-binding agreements for them. A sales agent is a particular type of agent who sells on behalf of another. An agent is not the same thing as a franchisee, which has a much more specific meaning.

Business-format franchising

A type of franchising where the franchisee does business using not just the names, trademarks and products of another company, but follows a business system developed by the franchisor that has detailed procedures for everything likely to arise. It's now the dominant form of franchising.

Direct selling

This originally meant "the distribution of goods and services direct from manufacturer to consumer, without intermediaries". In general business parlance it still does, so it's the sort of thing Direct Line Insurance or Dell Computer Corporation does. But in network marketing it's taken to mean "without wholesale or retail intermediaries". So the network marketing sales method, which often includes multiple levels of distributor between manufacturer and consumer, is somewhat misleadingly also described as direct selling.

Distributor

A person or company that holds a distributorship. In the looser usage of network marketing, it means a person who sells product.

Distributorship

A right granted by a manufacturer or wholesaler to sell a product to others. Not the same thing as a franchise, which is much more specific arrangement. Few distributorships are set up as franchises, although it is possible for them to be arranged this way.

Dispute Resolution

Many franchise agreements include provision for resolving disputes between franchisor and franchisee by arbitration or mediation, rather than resorting to the law courts.

Downline

In network marketing jargon, someone you recruit into the business. You are your downline's upline or sponsor.

Exclusivity

The exclusive territory in which a franchisee enjoys freedom from competition from other franchisees in the same franchise network. It needs to be adequately specified in the franchise agreement to have any force.

Franchise

A word with a confusing variety of meanings. It's perfectly correct to refer to the franchise agreement as the franchise. It can also be used to refer to a particular franchisee's business or operating unit, or as a verb for the act of setting up a franchise system. It's also used loosely for all sorts of other licensing arrangements and closed distribution networks that aren't considered franchises under EU law.

Franchise agreement or franchise contract

The contract that binds franchisor and franchisee.

Franchisee

The person or company that pays for the right to do business under the franchisor's name and system. They usually pay an initial franchise fee, then a royalty or service fee and other continuing charges earmarked for specific things such as advertising, rent or equipment.

Franchise fee

A one-off fee paid by the franchisee to the franchisor to buy into the system. The fee also helps pay for initial training and support - so a high fee ought to mean (though sometimes it doesn't) better training and support.

Franchise manual

A term sometimes used for the operating manual plus all the other bits and pieces of documentation supplied by the franchisor that set out how the business should operate.

Franchise system

The franchisor and full set of franchisees for a particular branded range of products or services - for example Costa coffee or Mr Clutch. To the outsider it looks like one big company.

Franchise unit

The business the franchisee operates.

Franchising

The method of distributing products or services that involves one or more independent businesses - or franchisees, doing business using a business name, trademarks and procedures granted to them by another company - the franchisor.

Franchisees are normally recruited directly by the franchisor, so there are only two levels - a crucial distinction between franchising and multi-level marketing.

Franchisor

The parent company that grants, usually for a fee and other charges, the right to use its trade name, trademarks and system of business operations.

Frontline

In network marketing jargon, someone you directly recruit and sponsor, so one of your key downlines.

Job franchise

A type of business-format franchising where most of the work is done personally by the franchisee, who rarely employs other staff. In some cases the franchisor supplies the sales leads.

Management franchise

A type of business-format franchising where the franchisee runs all aspects of the business, including generating sales leads. Employees usually do the detailed work under the franchisee's supervision.

Multi-level marketing (MLM)

A form of distributorship in which you receive commission on your own sales and on the sales of other people who you have recruited as distributors. This can go on for several levels. Some MLM arrangements may be judged pyramid schemes and therefore illegal. Some are legal, although they may still be risky to get involved with. Any business of this nature should be investigated closely and it's important to take advice from an independent trusted source. MLM schemes are not franchises.

Network marketing

A form of business in which you sell through a network of distributors (called your frontlines or downlines). Such businesses usually have a multi-level marketing structure, so you are likely to be recruited into them by another distributor (your upline or sponsor) not the manufacturer or brand owner. Any business of this nature should be investigated closely and it's important to take advice from an independent trusted source. Network marketing is not franchising, although terms such as mini-franchise or virtual franchising may be bandied about.

Non-compete clause

A clause in the franchise agreement that says the franchisee can't enter a similar line of business without prior approval from the franchisor. The clause may say it applies for a period of time that's longer than the term of the franchise agreement itself. Either way it may require clarification if you're planning an early exit.

Operating (or operations or operational) manual

The instruction book setting out how the franchisee's business should operate. It contains the latest practices, procedures and know-how developed by the franchisor, and is one of the main things the franchisee buys into. Compliance with the operating manual may be required as part of the franchising agreement.

Pyramid scheme

An illegal form of multi-level marketing in which people pay an entrance fee for the opportunity to recruit others to do the same. Chain letters are a primitive example. Any illegal scheme where the main source of revenue is new recruits rather than the sale of the supposed core product or service. They are outlawed because they are likely to collapse, leaving late joiners out of pocket. Joining a pyramid can be illegal, as joining soon involves you in illegal selling. Pyramid promoters may pass their schemes off as legal network or multi-level marketing businesses or as legitimate franchises - so beware.

Royalty or service fee

A continuing payment to the franchisor, usually based on a percentage of turnover and paid on a weekly or monthly basis. A fixed monthly fee is also quite common, particularly for businesses in the service sector.

Term

The length the franchise agreement runs, usually at least five and often seven years. After this there's usually an option to renew, subject to meeting various conditions and paying a renewal fee.

Trademark

Any sign that distinguishes the goods or services of one trader from those of others. So it can be a distinctive word, phrase, picture, colour combination, livery or product shape. Important trademarks should be registered as this prevents others from legally using the same or similar marks. Normally the franchisor has done this - but it's worth checking.

Appendix A1

Guide to what's in the franchise agreement

A1.1 Key headings

The franchise agreement is a lengthy written contract that sets out the mutual obligations of the franchisor and franchisee in detail. It is usually for a fixed term of at least five years. When the term is up, the contract expires and must either be renewed or it automatically terminates.

While agreements differ, it will usually cover the following topics:

The name, trademarks, methods, patents and activities being franchised

Note that as well as defining what rights you are buying, the franchisor is also asserting that they have the rights themselves - for example that they own the trademarks in question.

The franchise territory, and how exclusive it is

This is a frequent cause of disputes, so the agreement should clarify whether the franchisor is offering you a protected area in which other franchisees won't be allowed to trade or not. Exclusivity may be specified in terms of a distance surrounding the franchisee's premises, or a set of exclusive postcodes, or lines on a map.

Fees, royalties and other financial matters

And how they are calculated and when due. There's a big difference between a royalty or service fee calculated on gross turnover and one calculated on profit. You may also be required to buy equipment or supplies off the franchisor or from suppliers they nominate. Any mark-ups on such purchases are effectively additional royalty fees and shouldn't be overlooked. And the advertising fund or levy can be a large additional item.

Specifications for premises and equipment

Again there can be major cost implications. If you're also leasing premises off the franchisor it is simplest if both lease and franchise run for the same period of time. If they don't you need to explore the implications, so you're not agreeing to things that could disrupt your business when the first runs out.

Performance targets

For example, sales quotas or the number of hours you must be open for business. You need to consider how much control this leaves you of your own work-life balance, and whether there's enough flexibility to accommodate care responsibilities or periods of ill health.

Pricing

The agreement may also give the franchisor the right to set prices, or those of some key goods. The question to ask here is whether this leaves you with enough control over the profitability of your business.

Control of standards

This is where the franchisor's inspection regime and adherence to the operating manual are covered. What happens if a dispute arises should be clearly specified.

Other obligations of the franchisee

For example participation in sales promotions or the training of new franchisees, and the financial reporting required.

Other obligations of the franchisor

For example the initial training you get and the level of ongoing support, the help with selecting and fitting out premises, the provision of promotional material (and who pays for it).

Rights of sale

This covers whether, when and to whom you can sell the business. The ability to exit the business easily and realise the value you have built up in it is an advantage frequently claimed for franchising. But whether you've actually got it depends on the franchising agreement and how the franchisor exercises the rights they are given in it.

If you can only sell to the franchisor then the agreement should specify how a fair price is determined. The franchisor will almost certainly have to approve anyone you'll want to sell to, as they'll become the new franchisee, so how have they exercised this right in the past? What about selling used equipment - is there a fair or guaranteed market for it? These are all crucial questions to satisfy yourself about at the outset.

Termination and renewal

This sets out the circumstances in which either party can end or extend the agreement. For the franchisee there may be penalties for terminating early, but you may need to do this for reasons of your own or a partner's ill health, or simply a desire to cash out and move on.

The main reason for franchisors wanting to terminate early is a breach of the agreement, for example failure to meet performance targets or trading in goods that are not part of the franchise.

It has been known for franchisors to go out of business themselves, so what happens in that eventuality should also be spelt out in the agreement.

A1.2 The importance of taking advice

While it's unlikely the franchisor will be keen to change their contract just for you if there are bits you don't like, it's still advisable to take legal advice before signing.

There may be implications in the wording that aren't clear to ordinary people, and that a lawyer familiar with franchising agreements will spot instantly. There's a list of solicitors affiliated to the British Franchise Association on the BFA site at www.british-franchise.org/members.asp?category=1

The lawyer's value here lies more in making sure you understand what you are signing up to than in negotiating the terms. Even if the franchise isn't particularly expensive you are essentially committing yourself to a particular job and perhaps even a daily routine for years to come. And if you're going to have an easy exit from the franchise when the time comes to sell up or retire, it's the small print that you agree to now that will bind you.

Franchisors ideally want every franchisee on exactly the same contract, but if there are good business reasons to make exceptions then it is likely that they will do so. Because franchisors do sometimes negotiate, despite what they say beforehand and what's on their behalf by organisations that primarily represent the interests of franchisors, not franchisees.

It is clearly in their interests to make you think any attempt to negotiate is futile, and to keep quiet about any departures from the norm. But there's a case study on the Businesslink web site of Stephen Halpin, a franchisee who won deferment of payment on the upfront licence fee and some other changes to a Boots Optician agreement - <http://snipurl.com/halpin>
See also the Ray Lowe case study in this Chapter 4 of this report.

The essential message is that you should take independent, professional legal advice at an early stage of negotiations with a franchisor. Ensure you fully understand the legal implication of any agreement or document BEFORE you sign.

Appendix A2

Guide to points to watch in franchising contracts

A2.1 Timely access to the operating manual

Numerous references to the operating manual are made in most franchise agreements. Indeed, compliance with the manual is usually insisted on, so in effect when you sign the agreement you are also signing up to what's in the manual. Yet you are unlikely to be given a copy of the manual before you've signed the agreement.

The reasoning behind this is that the manual contains an important part of the intellectual property you are buying from the franchisor - substantial and secret know-how about how to operate their business format. But the manual could also be used to unfairly impose conditions you would not knowingly agree to, so it is essential that you see it.

The usual way around this problem is for you to sign a confidentiality agreement. All this should say is that you won't disclose anything in the operating manual to unauthorised third parties. Having signed, you should then get to see the manual.

However, you may still not be allowed to look at the manual in much detail, or take it away with you or show it to your advisers. An added complication is that nowadays all or part of the operating manual may be in electronic format, for example taking the form of a password-protected area of a web site. Make sure that you get as much time as you need to check out the operating manual before making any irrevocable commitments.

On the plus side, the way the franchisor deals with you over this issue gives you a good insight into whether you'll be able to get along with them over a long relationship. Are they helpful, and perhaps even concerned about your business as well as their own? Or is there something unreasonably untrusting or even suspicious about their behaviour? It's useful to have an opportunity to assess this before you sign on the dotted line.

A2. 2 Use of the operating manual to make unilateral changes to the agreement

Since the operating manual is in practice part of the agreement between franchisor and franchisee, changes to it alter the agreement.

So what does the agreement you actually sign say about changes to the operating manual? Can the franchisor change it without notice or consent?

The answer to this question may well be yes. Since you probably can't alter it the next best thing is to find out how they used this right in the past. If they are changing the manual to spread best practice and take account of new products and new regulations it's one thing. But if it's imposes new costs and unreasonable burdens on the franchisees that another.

Try and find out about disputes with existing franchisees. This is another reason why it's so important to talk to them.

It's quite likely that the answers to some of these questions will be pretty off-putting. The franchise agreement is a basically one-sided document, setting out how the franchisor would like the world to work, and the means by which they impose their way of working on the franchisees.

So the other question you should be asking yourself before signing is whether all this loss of independence is worth it. Is the information contained in the manual good stuff? Is the franchisor's business format really going to help you get a good business of the ground?

Curiously many happy franchisees see a regularly-updated operations manual as a plus point. Since it's supposed to embody best practice within a particular industry, frequent updates could simply mean the franchisor is on the ball and eager to share new learning across the network.

Appendix A3

Guide to top 10 other questions to ask

- 1. Is the business seasonal?**
- 2. Who decides the pricing?**
- 3. Where are the nearest other franchisees located?**
- 4. Why have other franchisees failed?**
- 5. What does the start-up package include?**
- 6. What does the support actually consist of?**
- 7. What's the total initial investment required?**
- 8. How much goes on regular recurring fees?**
Don't forget bank interest if you need a loan to pay the franchise fees,
- 9. How soon before I'm likely to get an income from the business?**
- 10. What happens when I want to get out?**
At renewal time, before renewal - or even if I have second thoughts during training.

Appendix 4

Guide to useful resources and further reading

A4.1 Franchising organisations

British Franchise Association

The main UK franchising organisation, the BFA plays a key role in the self-regulation of the sector. It both represents franchisors and vets them - full BFA membership implies adherence to a code of conduct. Franchisor members are listed on the BFA web site by category - full, associate or provisional. Also listed are BFA-affiliated solicitors and other specialist advisers

www.british-franchise.org.uk

email: mailroom@british-franchise.org.uk

Post: Thames View, Newton Road, Henley-on-Thames, Oxon RG9 1HG

Tel: 01491 578050

The Franchise Alliance

All 10 franchise companies who make up The Franchise Alliance are also members of the BFA. So it's not a rival body, but a marketing initiative set up to promote franchising to people considering self-employment. The TFA runs regular free workshops around the country.

www.whichfranchise.com/tfa

email: info@myfranchise.net

Tel: 01962 849456

CREATE

Funded by the European Union, CREATE's brief is to provide impartial information about franchising and other similar types of off-the-shelf business to people considering self-employment. It does this through workshops, training and on-line services, often delivered by partner organisations. It also funds research.

www.createproject.org.uk

email: create@exemplas.com

Tel: 01727 813747

American Franchisee Association

This US body has no direct UK equivalent, as it was formed to represent the interests of franchisees as distinct from franchisors. It claims 7,000 members owning 30,000 franchise outlets. Its website presents advice and guidance from a franchisee's perspective.

www.franchisee.org

A4.2 Bank franchising departments

Lloyds TSB

A free franchising information pack is available by calling 0800 056 0181.
Lloyd's Business guide to becoming a franchisee is at
<http://snipurl.com/LloydsTSB>

www.lloydstsbbusiness.com
email: franchising@lloydstsb.co.uk
Post: Franchise Unit, PO Box 112,
Canons House, Canons Way, Bristol BS99 7LB
Tel: 0117 943 3089

NatWest

NatWest's useful franchising checklist and other relevant material can be found at
<http://snipurl.com/NatWest>

www.natwest.com
email: franchise.retailbanking@natwest.com
Post: Franchise Section,
2 Waterhouse Square, 138-142 Holborn, London EC1N 2TH
Tel: 020 7427 8405

HSBC

www.ukbusiness.hsbc.com/hsbc/fran
email: franchiseunit@hsbc.com
Post: Franchise Unit, 24th Floor, 8 Canada Square, London E14 5HQ
Tel: 020 7992 1062

The Royal Bank of Scotland

www.rbs.co.uk/franchise
email: alan.smart@rbs.co.uk
Post: Franchise Department, PO Box 20000, The Younger Building, Drummond
House, 3 Redheughs Avenue, Edinburgh, EH12 9RB
Tel: 0800 521 607

Bank of Scotland

www.bankofscotlandbusiness.co.uk
email: franchising@bankofscotland.co.uk
Post: City of London Corporate Centre, 6th Floor, 155 Bishopsgate,
London EC2M 3YB
Tel: 0207 012 8199

Small Firms Loan Guarantee

This government scheme can sometimes help if you lack sufficient collateral security to obtain a bank loan to finance your business. In return for a 2% premium, the SFLG underwrites 75% of the loan, reducing the risk to the bank and therefore making them more likely to lend. Applications have to be via an approved lender - all the banks listed above qualify. A free booklet on the scheme is available from the phone number above or it can be downloaded from the web site at www.dti.gov.uk/sflg/pdfs/sflg_booklet.pdf.

www.dti.gov.uk/sflg

Tel: 0870 1502500 (publications order line)

Tel: 0845 001 0032/0033 (SFLG helpline)

A4.3 Books

Daily Express How to Choose a Franchise

by Iain Murray, published by Kogan Page, 2004, paperback £9.99.

ISBN: 074944195X

Daily Telegraph Guide to taking up a franchise

by Colin Barrow, Godfrey Golzen and Helen Kogan, published by Kogan Page, 2000, paperback £12.99. ISBN: 0749433108. Now out of print but may be available from libraries.

BFA Franchisee Information Pack

by the British Franchise Association, £29.

This contains much information that you can also find on the BFA's web site, but on paper - for example lists of BFA accredited members and various fact sheets. There's also a video, and recent issues of franchising magazines.

www.british-franchise.org/bookshop.asp

Tel: 01491 578050

How to Evaluate a Franchise

by Martin Mendelsohn, £5.50 to £12.95.

Though author is an acknowledged expert on franchise law, this is a simple introduction aimed at intending franchisees. Not currently available in general bookshops, but you can get it in various sponsored editions from the BFA bookshop, above, or Franchise World or Franchiseek, details below.

Lloyds TSB small business guide

by Sara Williams, published by Vitesse Media, 2003, paperback, £12.99. ISBN 0954081285. You may be able to get it free from Lloyds Bank.

Covers all aspects of setting up a business in a clear and thorough way, including a chapter on franchising.

A4.4 Magazines and web sites

Business Franchise

This monthly magazine is the official journal of the BFA. It has case studies, background articles and listings. The web site appears at first site to be little more than a franchise directory, but much other useful information is tucked away on other pages, including articles from industry experts.

www.businessfranchise.com or www.franinfo.co.uk
subs@circlepublishing.net
Tel: 0208 332 2459

Franchise World

Bi-monthly magazine established in 1978, giving it a claim to being the oldest UK franchising title. The web site has the usual franchisor listings, but also good background articles some of which adopt the franchisee's perspective and strike a sceptical note. Also publishes various books and guides.

www.franchiseworld.co.uk
email: info@franchiseworld.co.uk
Tel: 0208 605 2555

Franchise World Directory

Annual guide (£29.50) that lists 700 UK franchising systems and contains another 100 pages of articles and advice.

www.franchiseworld.co.uk/directoryhtml.html
Tel: 0208 605 2555

The Franchise Magazine

Published eight times a year by Franchise Development Services. Currently seems to be the thickest magazine. Content consists mainly of adverts and case studies.

www.franchise-group.com
email: enquiries@fdsltd.com
Tel: 0870 350 2337 (sales & subs)

UK Franchise Directory

Annual publication from the publishers of The Franchise Magazine. It claims to list all the franchise systems currently active in the UK, divided by industry sector. The associated web site contains a sub-set.

www.theukfranchisedirectory.net
020 8689 7115

Be The Boss UK

From the publishers of The Franchise Magazine. this web site takes the form of a permanent franchising exhibition. So the entries are written by the franchisors - but they often go into a lot of detail.

<http://uk.betheboss.com>

Making Money

A general small-business magazine that has much franchising coverage, especially on its associated web site. The advertising listings are sorted by price. Note that Making Money also covers other types of business opportunity such as direct selling and network marketing, not just business-format franchises.

www.makingmoney.co.uk/franchise

Tel: 01778 392085

Daltons Weekly,

This advertising-only listings magazine and associated web site has a large franchising section. Includes advertisements for franchises abroad, and has a large resale section where franchisees can sell on their businesses. This publication includes business opportunities of all types, and has a prominent disclaimer of responsibility for what happens in any ensuing dealings.

www.daltonsbusiness.com

Tel: 020 8329 0196

Which Franchise.com

Large franchising web site with search feature that let you hunt by type of franchise, industry sector and cost. All featured franchises and advertisers are BFA members. It also has a section for established franchises for sale, and good Scottish coverage.

www.whichfranchise.com

enquiry@whichfranchise.com

Tel: 0141 429 5900

Franchiseseek

Large listings web site with some useful background articles by independent experts. Though UK-based, it has strong international coverage.

www.franchiseseek.com

Tel: 01590 689755 (books)

Select Your Franchise

Listings site with some independent editorial. The main distinctive feature is a form you fill in which purports to match you with suitable franchises.
www.selectyourfranchise.com/uk/

Franchise Direct UK and Ireland

The main feature of this advertising-based web site are the listings, which can be searched by category or investment band. There's little independent editorial.
www.franchisedirect.co.uk/

Franchisewire

Based in New Zealand, this site publishes franchising news from around the world, including the UK. The news is mainly press releases written by the franchise companies, but it still gives an impression of what's going on.
www.franchisewire.com

Newspapers

Newspapers with regular franchising coverage include the Daily Mail and The Mail on Sunday, Daily Express, Sunday Express and The Scotsman.

A4.5 Franchise Exhibitions

7 & 8 October 2005, NEC, Birmingham

4 & 5 November 2005, RDS, Dublin

27 & 28 January 2006, G-Mex, Manchester

24 & 25 March 2006, Olympia, London

2 & 3 June 2006, SECC, Glasgow

All exhibitors attending this series of events are accredited by the BFA, and are thus likely to lie at the better-quality end of the spectrum.

www.franinfo.co.uk/exhibitions.lasso

Tel: 0870 7771048 (ticket hotline)

A4.6 Government business support organisations

Business Link (England)

There is a network of organisations around the UK set up to give practical help and guidance to businesses, including those just starting out. Funded by government, their services are mostly free.

In England they are called Business Link. You can find your local one from the home page below. The section of the huge and informative web site devoted to franchising can be found at <http://snipurl.com/BLfranchise>

www.businesslink.gov.uk

email: via web site

0845 600 9006

Business Eye / Llygad Busnes (Wales)

The Welsh equivalent of Business Link.

www.llygadbusnes.org.uk or www.busesseye.org.uk

email: assistance@busesseye.org.uk

Tel: 08457 969798

Small Business Gateways (Scotland)

The Gateways are run by Scottish Enterprise in conjunction with local partners. They cover all of lowland Scotland.

www.scotent.co.uk

email: network.helpline@scotent.co.uk

Tel: 0845 607 8787 (general helpline - calls charged at local rate)

Tel: 0845 609 6611 (for nearest local Gateway)

Highlands and Islands Enterprise (Scotland)

Covers the rest of Scotland with a network of ten Local Enterprise Companies. These can be found via the central office in Inverness or the web site.

www.hie.co.uk

email: hie.general@hient.co.uk

Tel: 01463 234171

Invest Northern Ireland

Now the main government business development organisation in Northern Ireland, INI also operates via a network of local offices.

www.investni.com

Tel: 028 9023 9090

info@investni.com

A4.7 Non-government business support organisations

PRIME

The PRIME Initiative was set up by HRH the Prince of Wales to help older people rejected by the labour market find a way back into work via self-employment or setting up a business. It's a sister organisation to the Prince's Trust, which deals with younger people. PRIME is now a wholly-owned subsidiary of the charity Age Concern England, which gives it access to additional support and resources.

PRIME has a loan of last resort for people aged 50 or more who have been turned down by banks, and a network of more than 130 partner organisations that offer free business advice, training and mentoring. In Wales PRIME-Cymru delivers a similar programme.

www.primeinitiative.org.uk

email: prime@ace.org.uk

Freephone 0800 783 1904

www.prime-cymru.co.uk

email: office@prime-cymru.co.uk

Tel: 0845 6018693:

Prowess

Prowess is an association of organisations that support women setting up in business. Prowess itself mainly does research and campaigning, but many of its partner organisations offer practical assistance. There is a clickable map to find business support and events in your area on the web site..

www.prowess.org.uk

email: admin@prowess.org.uk

Tel: 01603 762355

Blind Business Association Charitable Trust

BBACT supports registered blind and partially-sighted people across the UK who wish to become self-employed. It is a PRIME partner and member of CREATE.

www.bbact.org.uk

email: penny@bbact.org.uk

Tel: 0845 0450696

National Federation of Enterprise Agencies

The NFEA is the membership body for local Enterprise Agencies and other like-minded organisations in England. For example, PRIME is an NFEA member. It forms a network of independent, not-for-profit local agencies committed to responding to the needs of small and growing businesses. NFEA member's services are aimed particularly at pre-start, start-up and micro businesses.

www.nfea.com/index.htm?page=find_lea.htm

email: enquiries@nfea.com

Tel: 01234 831623

Everywoman

General support and networking site for women, which has a strong focus on female business owners. A member of the CREATE partnership, Everywoman sometimes runs franchising events and workshops.

www.everywoman.co.uk

email: info@everywoman.co.uk

Tel: 0870 746 1800

Community Action Network

CAN is pioneering the concept of replicating community businesses and social enterprises by a franchise-like process, allowing them to spring up rapidly in new areas. CAN is also exploring opportunities to make regular commercial franchises available to the social sector. CAN is also a CREATE partner.

www.can-online.org.uk

email: canhq@can-online.org.uk or o.jarvis@can-online.org.uk

Tel: 0845 456 2537 or 020 7785 6224

Direct Selling Association

The DSA exists to promote direct selling (doorstep selling, party-plan selling, network marketing and so on) and to improve standards. It is setting out on a similar path to the British Franchise Association, establishing a membership structure and then getting member companies to embrace increasingly professional codes of conduct. This voluntary, self-regulated approach has worked for the BFA. How effective it will prove in the world of direct selling remains to be seen.

www.dsa.org.uk

email: info@dsa.org.uk

Tel: 020 7497 1234

Appendix P1

Poll 1: How existing franchisees see franchising

P1.1 Sample

For anyone researching franchising the most difficult people to get hold of are active franchisees. What's more, because of our focus on people in the older age group, the size of our target population was reduced.

For this poll carried out in August and September 2004 we approached 70 franchisees by email, using a list provided by the British Franchise Association (BFA) of all franchisees over the age of 40 with email addresses who'd agreed to such a use. Two thirds on this list were over the age 50. Our invitation message offered the option of a telephone survey, which one person took up, but most chose to complete the short survey online. We got 13 respondents, a 19% response rate.

With such a small sample we don't claim the results are representative of older franchisees as a whole, but they do reflect the views of the franchisees who took part.





Note that all the respondents to this poll were working with franchisors who are BFA members. This may bias the results in that BFA members may not be representative of the franchisor population as a whole, so their franchisees' experiences may not be entirely typical either.

It may also bias the sample towards higher cost franchises, because BFA membership seems to be more prevalent at the more expensive end of the franchise market.

Six months after doing this poll we found some more franchisees when polling people who'd been to PRIME or The Franchise Alliance training workshops - because some had gone ahead and started in business. Their responses are included in Poll 2. The 10 people interviewed for the detailed case studies presented in Chapter 4 were drawn from respondents to both surveys.

P1.2 Profile of respondents






The mean age of respondents was around 55, with none under 45 or over 65. Almost half were in the 55-to-59 age band.

Age	Distribution	Number	Ratio
45-49		2	15%
50-54		3	23%
55-59		6	46%
60-64		2	15%
Total		13	100%

The gender split was three women to ten men.

The majority of respondents have been running their franchises for five years or more, so they started their franchises some time ago. See Poll 2 for people just starting out.

Q: How long have you been operating your present main franchise?





Time	Distribution	Number	Ratio
Less than a year		1	8%
One year or more		0	0%
Two years or more		2	15%
Three years or more		1	8%
Four years or more		2	15%
Five years or more		7	54%

All the respondents chose to answer the optional question on ethnicity. All were white, with 12 (92%) giving their cultural background as British, and one as Irish.

P1.3 Prior business experience

For all 13 respondents this was their first franchise. But the amount of previous business experience varied in an unexpected way - they mostly had a great deal - or none, with few in the middle ground.










Q: How much previous experience of running a business or self-employment did you have at the time of taking on your first franchise?

Amount	Distribution	Number	Ratio
None		5	38%
Less than a year		0	0%
One year or more		0	0%
Two years or more		1	8%
Three years or more		0	0%
Four years or more		1	8%
Five years or more		6	46%
Total		13	100%

P1.4 Trading sector

The most popular category was business services.









Q: Please indicate the sector in which you now trade.

Sector	Distribution	Number	Ratio
Business services		5	38%
Arts and crafts		2	15%
Retail services		2	15%
Financial services		1	8%
Food and drink		1	8%
Health and beauty		1	8%
Sports and leisure		1	8%
Transport		1	8%
Weight loss		1	8%
Total		13	100%

P1.5 Cost of franchising

We asked the franchisees first about the cost of the franchise itself.






Q: Roughly how much did your present franchise cost to buy?

Amount	Distribution	Number	Ratio
Less than £5,000		1	8%
£5,000 to £9,999		2	15%
£10,000 to £19,999		1	8%
£20,000 to £29,999		4	31%
£30,000 to £39,999		2	15%
£40,000 to £49,999		1	8%
£50,000 to £99,999		1	8%
£100,000 or more		1	8%
Total		13	100%

If we exclude the two respondents who paid the most (over £100,000) and the least (we know from a write-in answer that it was nothing) we get a mean cost of approximately £29,000 to buy the franchise.

Turning to their other initial expenses, almost half the respondents paid less than £5,000. If you raise the amount to £10,000, then three-quarters spent less than that to get going.

Q: And how much did you have to spend on other necessary expenses (travel, training, vehicles, legal fees, stock etc.) before you could start trading?








Amount	Distribution	Number	Ratio
Less than £5,000		6	46%
£5,000 to £9,999		4	31%
£10,000 to £19,999		1	8%
£20,000 to £29,999		0	0%
£30,000 to £39,999		1	8%
£40,000 to £49,999		1	8%
£50,000 to £99,999		0	0%
£100,000 or more		0	0%
Total		13	100%

P1.6 Satisfaction with support from franchisor

We wanted to know how good the support was, both during the start up period and currently. We asked the franchisees to rate the support provided by their various franchisors on a scale of one to 10, with 10 being excellent and 1 very poor.

For the start up period the average (mean) score from the group as a whole was 6.3, indicating a moderate level of satisfaction. But there was wide variation in the scores, suggesting big differences between franchisors in the quality of support offered.

Q: How would you rate the support, training and materials provided to you by the franchisor at the time you started your business?

Score	Distribution	Number	Ratio
Very poor		0	0%
2		0	0%
3		2	15%
4		2	15%
5		1	8%
6		0	0%
7		4	31%
8		2	15%
9		1	8%
Excellent		1	8%
Total		13	100%

Turning to the support they are getting now, the average score awarded by the group as a whole improved, up to 7.2, with three-quarters in the good half of the spectrum. But there was still a wide variation in how they rated their franchisors on this key question.








Q: And how would you rate the support the franchisor provides to you now?

Score	Distribution	Number	Ratio
Very poor		0	0%
2		1	8%
3		0	0%
4		1	8%
5		1	8%
6		1	8%
7		3	23%
8		2	15%
9		1	8%
Excellent		3	23%
Total		13	100%

P1.7 Satisfaction with franchising itself

Here we wanted to find out the franchisees' overall feelings about the route they had chosen to go down. On this our respondents were mostly happy, although again there is a wide spread of opinion. But taken as a group they expressed considerable satisfaction with the franchising route. On a scale of one to ten with 10 being very happy indeed, the average (mean) score was 7.4. Two-thirds of those who expressed an opinion were clustered at the happiest end, voting eight, nine or 10.

Q: On balance are you happy you decided to go the franchising route?

Score	Distribution	Number	Ratio
Not happy at all		0	0%
2		1	8%
3		0	0%
4		1	8%
5		1	8%
6		0	0%
7		1	8%
8		4	33%
9		1	8%
Very happy indeed		3	25%
		Total	12
			100%

The women were most happy with franchising, with all three respondents at the happy end and two of them giving it 10 out of 10. One male didn't express an opinion.

P1.8 Advice to would-be franchisees

We provided several opportunities for the franchisees to share the lessons they've learnt with others now considering the franchising route.

The responses are listed below, under the open questions that prompted them. They've been lightly edited for grammatical consistency and readability, but otherwise not tampered with. Any editorial additions are in square brackets [following the usual convention].

Some of these quotes appear elsewhere in this report, particularly in chapters six and seven. There they have been selected to illustrate a particular point, and are thus inevitably being used to buttress the report's viewpoint.

But here the quotes have not been selected, and therefore reading them gives a fairer impression of the range of views of this sample of franchisees. The order is arbitrary and reflects purely the order in which the responses came in.

Q: Looking back to when you bought your first franchise, what sort of advice would have been the most helpful to you?

1. It takes twice as long to become established as was indicated.
2. Have someone at the franchisor who is a good point of contact you can go to at any time.
3. Talk to existing franchisees to see how the business runs and what steps they took to build their business up.
4. Age doesn't matter.
5. To have had more money [initially?]
6. Hands on with specific job targets of tasks, with direct assistance.
7. Don't expect it to take off overnight - it takes time and hard work.
8. We all start out thinking customers are going to flock to our doors, so be realistic about what you will have to spend on advertising.
9. How you would lose control and be held to ransom once you're in.
10. More help on client acquisition.
11. A bit more honesty - about for example how long it would take to build up the business.

12. It will take longer than you think - therefore you need to have sufficient finance to live.

Q: If you were advising someone else now about getting a franchise, are there any specific pitfalls they should be aware of?

1. Make sure that you have a USP (unique selling point). We have a very strong one.

2. Don't take too long an initial lease on your premises - don't lock yourself in.

3. Make sure the franchisor is strong financially, and can support you in the first year with training.

4. Research into all areas,

5. Attitude - if you think you are buying a job you will have a rude awakening. A franchised business needs the same skills and attitude as any other business, and if you do not have these then forget it.

6. Sales are vital in the early days. [So check] what help is provided to achieve them.

7. Control your advertising spend in the first year - it can easily get out of control.

8. The time that it takes to develop a business

9. Depends on their previous experiences. One of my biggest issues was having to work alone for the first time.

Q: Is there anything else you'd like to tell them?

- 1. Whatever figure you come up with for your projected costs, double it as this is what you really will need to succeed.**
- 2. Don't expect a fortune in the first 12 months - like any business you have to build it first. And if there are two of you as partners, remember the profits are split.**
- 3. Enjoy.**
- 4. Saying you're not afraid of hard work is not the same as proving it.**
- 5. Compare and check them out prior to deciding.**
- 6. Don't forget to play sometimes.**
- 7. Make sure they are BFA accredited.**
- 8. Watch every penny you are being charged, as costs will run away from you.**
- 9. You must enjoy what you are going to do.**

Appendix P2

Poll 2: How those considering becoming a franchisee see franchising

P2.1 Sample

This poll was carried out in February and March 2005. We approached 265 people over the age of 45 known to be considering franchising because they had attended franchising workshops run by either PRIME itself (with BFA support), or The Franchise Alliance (TFA).

These workshops were free, and run throughout England. Participants were actively recruited by widespread publicity. The TFA events were advertised in franchising magazines and on business web sites. PRIME placed adverts in local newspapers, and distributed tens of thousands of paper leaflets to Jobcentres, libraries, citizen's advice bureaux and other community organisations near the venues, as well promoting via the organisations in PRIME's business support network.

The hope was the sample would contain a broad mix of people from different socio-economic backgrounds, regions and income levels. However, attendees at the events were volunteers, and therefore self-selected. Franchising may well be a minority interest, and appeal to people of a certain type, as the results as a whole tend to suggest

Furthermore we used email to do the poll itself, thereby ruling out those attendees without email addresses - or who chose not to reveal them.





We polled all workshop attendees in our age range with an email address who had given their permission to be contacted. Our email invitation offered the option of a telephone survey, which one respondent took up, but the rest chose to complete the short survey online.

After allowing for obvious email failures the invitation could have been received by a maximum of 83 people who had been at a PRIME/BFA workshop and 182 who had attended a TFA one.

We got 32 respondents, a 12% response rate. However, the response rate may have actually be higher than this, as we don't know how many emails failed to reach their intended recipient in ways that didn't yield a bounce message. So for example if a further 20% were stopped by spam filters the real response rate climbs to 15%.

P2.2 Profile of respondents


The mean age of respondents was around 52, with none under 45 or over 65. Almost 70% were under 55.

Age	Distribution	Number	Ratio
45-49		10	31%
50-54		12	38%
55-59		8	25%
60-64		2	6%
Total		32	100%

The gender split was four women to 28 men, so it was even more unequal than that encountered in Poll 1, of franchisees.

All but one person answered the optional ethnicity question. Respondents were overwhelmingly white, of British background.

Q: Ethnicity: please tick the appropriate box to indicate your cultural background

Category	Distribution	Number	Ratio
White - British		26	84%
White - Irish		1	3%
White - other White background		1	3%
Black or Black British - African		1	3%
Black or Black British - other Black background		1	3%
Chinese		1	3%
Total		31	100%

P2.3 Current status of business search

At the time of the poll, about a third of respondents had been searching for a business for less than six months, and almost 70% when you extend the time period to a year.

Q: How long have you been looking for a suitable business?

Time	Distribution	Number	Ratio
Less than three months		2	7%
Three months or more		8	28%
Six months or more		10	34%
One year or more		3	10%
Two years or more		4	14%
Three years or more		2	7%
Total		29	100%

Six - and possibly more, of the respondents appear to have recently started up in business as franchisees. We didn't expect this, which is why we didn't ask an explicit question. But their job titles and the answer to question P2.6 presented below make it pretty clear.

We followed up some of the 24 respondents who had given us permission to contact them further, and three of the case studies in Chapter 4 come from this sample (Pratley, Leonard and Hamilton).

Only one of the Poll 2 respondents had experience of operating a franchise when they attended their franchising workshop.




We asked people their current job titles, and got the following response. Editorial additions are in square brackets [].

- 1. Self-employed Interim Management**
- 2. Consultant**
- 3. Retired [see Leonard case study]**
- 4. Plant Operator**
- 5. Insurance Broker**
- 6. None**
- 7. Redundant - ex manufacturing manager**
- 8. Project and Programme Manager**
- 9. About to take up post as Director of HR and Admin**
- 10. Deputy Head of Faculty Business & Management**
- 11. Town Centres Manager**
- 12. Director Protex KAP Ltd [a franchise]**
- 13. Self-employed**
- 14. MD**
- 15. Owner - franchise**
- 16. Hopespare owner driver [a franchise]**
- 17. Deputy Bursar**
- 18. Business Development Consultant**
- 19. Consultant**
- 20. Principal [see Pratley case study]**
- 21. Operational Manager**
- 22. Director**
- 23. Business Coach**
- 24. Redundant**
- 25. Self-employed consultant**
- 26. None**
- 27. Business Development Manager**
- 28. Project management examiner**
- 29. Lecturer (recently)**
- 30. Unemployed**
- 31. Owner, Barking Mad [see Hamilton case study]**

P2.4 Prior business experience

As in Poll 1, there's the same curious distribution in the amount of previous business experience. Respondents either had a great deal, or none, with few in the middle ground.

Q: How much previous experience of running a business or self-employment do you have?














Time	Distribution	Number	Ratio
None		16	50%
Less than a year		1	3%
One year or more		1	3%
Two years or more		0	0%
Three years or more		1	3%
Four years or more		1	3%
Five years or more		10	31%
Other		2	6%
Total		32	100%

Is this anything to do with the source of the sample, which came from people attending events run by two different organisations? Looking through the individual responses, this doesn't seem to be the case. Though PRIME and TFA publicised their franchise events in different ways, they have both thrown up a similar mix of very experienced and very inexperienced people.

Furthermore, Poll 1's sample all came from a single BFA list, and showed the same phenomena. So it may well be that older people in the market for a franchise fall into two very distinct experience camps.

P2.5 Desired trading sector

Q: Please indicate the sector(s) in which you want to trade. (You can tick more than one box if that describes your search better.)

Sector	Distribution	Number	Ratio
Business services		16	52%
Other services		10	32%
IT and telecoms		8	26%
Any viable sector		8	26%
Food and drink		5	16%
Retail services		5	16%
Financial services		4	13%
Other - please state		4	13%
Residential property		3	10%
Manufacturing		3	10%
Sports and leisure		3	10%
Animals and pets		2	6%
Arts and crafts		2	6%
Farming and horticulture		1	3%
Health and beauty		1	3%
Transport		1	3%

The write-in answers in were energy, cost reduction, gastronomy, and health & beauty interest by spouse.

There's not enough data to explore the link between prior business experience and the type of franchise sought very far. But the inexperienced seem to be drawn to IT & telecoms. The experienced are over-represented in financial services - as you might expect, and also seem more ready to consider 'any viable sector'. Business services - the top category, turns out to appeal across the experience range.


Please indicate the sector(s) in which you want to trade.

	Total	How much previous experience of running a business or self-employment do you have?:							
		None	Less than a year	One year or more	Two years or more	Three years or more	Four years or more	Five years or more	Other
Business services	16	7	1	1	0	0	0	6	1
Other services	10	4	0	0	0	0	1	4	1
IT and telecoms	8	5	0	0	0	0	0	2	1
Any viable sector	8	2	0	0	0	1	0	4	1
Food and drink	5	2	1	0	0	0	0	2	0
Retail services	5	3	0	0	0	0	0	1	1
Financial services	4	0	0	0	0	0	0	4	0

P2.6 Still considering franchising?

Most are. Looking at the individual responses it's clear the people we know to have started a franchise all answered yes to this question, interpreting being on the route as an extension of considering it.

Q: Are you still considering the franchise route?

Yes		21	66%
No		11	34%
Total		32	100%

We also asked people why, and 28 obliged.

Q: Are you still considering the franchise route?

A: Yes

Q: Why?

1. As the success rate is higher there is less risk.
2. It is a reasonable alternative means of semi-independent private employment.
3. Still provides the satisfaction of self-employment, along with support and an asset at the end of the term.
4. I'm fed up with corporate politics in the large international companies I've worked for. But ironically if I were to get another job it would probably be in that sort of major outfit.
5. Future more in my own hands. Only way to maintain earnings and lifestyle. Escape from ageism factor. Realise I want more freedom in my career.
6. Franchising potentially offers a more secure business start-up.
7. The security of a proven business model is attractive and I know what it's like to be a franchisee.
8. I have invested in a franchise as of June 2004.
9. Just started franchise this month.
10. I have already taken the plunge!
11. I am just about to start work with Hopespare, a mobile hydraulic hose replacement service.

12. Although I am currently working on another project that may result in a full-time position, I consider that franchising is still an attractive option.

13. It is a lower risk means of setting up in business as the product/service is proven and there is a support mechanism.

14. I haven't given up on the idea.

15. Still open for right franchise.

16. Optimism - it would be easier than going it alone although I doubt that there is a franchise I could afford. Hence, I am continuing to research a lone-start-up.

17. I have always liked entrepreneurship. I lecture now, but owning a franchise is healthy. It helps keep unemployment down, apart from helping the owner financially.

18. Have started up a Barking Mad franchise

Q: Are you still considering the franchise route?

A: No

Q: Why?

1. There was no good fit to the area of interest.

2. The amount of 'delicate' franchise propositions being hawked around. Disproportionate amount of investment required to enhance someone else's business.

3. My research shows that franchising has too many downsides. The 'cut' taken by the master franchisors in the low and middle-cost franchise opportunities are excessive, leaving the profit margins for many individual franchisees so tight that even a small adverse shift in the general economy would make many of them unviable.

4. Found a job.

5. Couldn't find a franchise which suited my requirements.

6. Not sure which route to take.

7. Plan to get a permanent salaried role and revisit franchising in five years or so

8. Can't afford the franchise fees.










9. I have freelance employment which should last for some time.

10. Lack of control - franchisor has too much power.**P2.7 Cost of franchising**

We first asked those still looking for a franchise about what they expect to pay for the franchise itself.

If we exclude the highest and lowest estimates, we get a mean of around £27,000, which is only a couple of grand less than the franchisees of Poll 1 said they actually paid.

Q: Roughly how much do you expect to have to pay to get a suitable franchise?

Amount	Distribution	Number	Ratio
Less than £5,000		2	10%
£5,000 to £9,999		1	5%
£10,000 to £19,999		6	29%
£20,000 to £29,999		4	19%
£30,000 to £39,999		4	19%
£40,000 to £49,999		1	5%
£50,000 to £99,999		1	5%
£100,000 or more		1	5%
Other - please state		1	5%
Total		21	100%

The write-in other response was that 'it depends on the franchise selected'. One of the less-than-£5,000 group commented 'It will have to be low as I have no money!'.

Next we asked them about their other initial expenses.

Q: And how much do you expect to spend on other necessary expenses (travel, training, vehicles, legal fees, stock etc.) before you can start trading?

Amount	Distribution	Number	Ratio
Less than £5,000		5	24%
£5,000 to £9,999		5	24%
£10,000 to £19,999		6	29%
£20,000 to £29,999		1	5%
£30,000 to £39,999		0	0%
£40,000 to £49,999		1	5%
£50,000 to £99,999		1	5%
£100,000 or more		1	5%
Other - please state		1	5%
Total		21	100%

About half of the respondents expect to spend under £10,000. If you raise the amount to £20,000, then three-quarters expect to spend less.

Here these respondents, who are currently considering franchising, are coming in with significantly higher cost estimates than the franchisees of Poll 1 said they actually had to spend. However, the franchisees in Poll 1 started their businesses some time in the past, so today's franchise candidates may be being realistic. The overall impression they give is of clued-up people who have been doing their homework.

P2.8 Satisfaction with PRIME and TFA training

And of course they have been, because this entire sample is drawn from people who have attended full-day or half-day franchising workshops. Some of the information seems to have stuck.








But before we can claim success for the PRIME and TFA free workshop programmes, first we have to know whether the attendees thought of the sessions, and what subsequently happened.

We asked the group as a whole to rate the workshops they'd attended on a scale of one to 10, with 10 being excellent and one very poor.







Note that this poll was carried out well after the event using impersonal electronic techniques, so it's less likely to be biased by a desire to please

than filling in paper forms handed out by the workshop organisers on the day.

Q: If you've been to a workshop or franchising course organised by PRIME, how would you rate it?

Score	Distribution	Number	Ratio
Very poor		0	0%
2		0	0%
3		0	0%
4		1	7%
5		1	7%
6		2	14%
7		2	14%
8		6	43%
9		1	7%
Excellent		1	7%
Total		14	100%

Q: If you've been to a workshop or franchising course organised by The Franchise Alliance (TFA), how would you rate it?

Score	Distribution	Number	Ratio
Very poor		0	0%
2		0	0%
3		0	0%
4		1	6%
5		4	25%
6		1	6%
7		4	25%
8		5	31%
9		0	0%
Excellent		1	6%
Total		16	100%

This gives us a mean score of 7.3 for the PRIME events and 6.8 for TFA's, which puts them both reasonably far into the happy punter area.

Of the respondents who gave us scores for the PRIME event, eight were still considering franchising or had gone ahead, while six had given up. Twelve of the TFA attendees were still going ahead, while only four had given up. Overall two thirds of the respondents were still considering franchising or had gone ahead, while a third had given up.

There was very little difference between those going ahead and those not in how they rated the workshops, with mean scores of 7.1 (ahead) and 7.5 (not) from the PRIME group, and 6.9 and 6.3 respectively for from the TFA attendees.

P2.9 Advice wanted now

All responses from the entire sample are listed below, under the open question that prompted them. Any editorial additions are in square brackets [following the usual convention].

Q: What sort of advice would be the most helpful to you now?

1. There always appears to be hidden costs in the opportunities I have looked at. Sound advice and facts on total costs would be good.
2. Accounting and legal.
3. Financial, and fuel energy distribution
4. Franchise opportunity in Canada as we are applying for emigration at present.
5. Sales advice funding advice
6. Information on franchise opportunities appropriate to my skills and experience. These seem to be very limited.
7. I would be possibly looking for advice if the right opportunity comes along regardless of sector.
8. Details of available business opportunities in my geographic area.
9. Marketing.
10. Marketing.
11. Pitfalls for each franchise - things to look out for to make sure it works for me. What can go wrong.
12. Accounting advice.

- 13. Contact with other people who have personally experienced starting a franchise.**
- 14. Just to keep abreast of all the new franchise opportunities as they are developing.**
- 15. Marketing support - as this is an area where I have the least experience.**
- 16. How to get past the jargon.**
- 17. I am not sure whether I will be wasting hard-earned savings to fund the franchisor.**
- 18. Any one-to-one.**
- 19. Sourcing finance or franchising ideas that can be set up whilst still in full employment.**
- 20. I don't need any.**
- 21. Available franchises and opportunities, as well as mode of operation and siting possibilities.**
- 22. Self-employment [This respondent answered 'no' to the still considering franchising question.]**
- 23. I'm not very good on the accounting side. Put figures in front of me and I freeze. A 'How not to be afraid of figures' or an easy accounting workshop would be ideal. I could also do with general financial advice, and advice on ways of taking more money out of the business.**

P2.10 Advice to would-be franchisees

We provided an opportunity for respondents to share lessons they'd learnt with others considering the franchising route.

The responses are listed below, under the open questions that prompted them. They've been lightly edited for grammatical consistency and readability, but otherwise not tampered with. Any editorial additions are marked [by square brackets].

Some of these quotes appear elsewhere in this report, particularly in chapters six and seven. There they have been selected to illustrate a particular point, and are thus inevitably being used to buttress the report's viewpoint.

But here the quotes have not been selected, and therefore reading them gives a fairer impression of the range of views of this sample of people who are actively exploring franchising. The order is arbitrary and reflects purely the order in which the responses came in.

Q: If you were advising someone else about getting a franchise, are there any specific pitfalls they should be aware of?

1. Be clear what skills you have, and what training you actually need and account for it.
2. Get value for money. Make sure they can really help you generate a good income.
3. Ensure that financial projections are accurate and achievable.
4. Buying a complex job.
5. Be aware of franchisors who may only be interested in the procuring of a fee.
6. Unprofessionalism of some franchisors. Lack of information given by franchisor. Demand to talk to franchisees you pick, not just those put on a plate for you. Do not underestimate your working capital requirements. Check all assumptions thoroughly. Although you will not be able to change it, get a solicitor to go through the contract.
7. Make sure the franchisor is secure and reliable, and the business model is tried-and-tested.
8. Do lots of research. Remember that if a franchisor uses a system of territories, the best ones have often gone.
9. Only to be very critical of all aspects of the proposition.

10. Check contract carefully.

11. Unless you can fund beyond the first year - as well as the initial start-up costs yourself, then buying a franchise does not put you in control of your own business. It means you are caught between the franchisor and the financial institution that provided the capital. This is not necessarily wrong or bad - unless of course you don't recognise it.

12. Visit other new and established franchisees in same business sector.

13. Ensure you can see yourself doing this in six months, in three years - [indeed] every day. Make sure of your marketplace -the area, the competition. Get objective advice on your business plan. Be realistic.

14. Make sure you have enough money, both to start up, then trade and live whilst the business is growing.

15. Some of them are not ethical.

16. Research the hidden costs of franchising - what are the true on-going real returns on your investment.

17. Do your research and be prepared to negotiate with the franchisor to get what you want. Do not be rushed into anything. Be wary of any franchisor who does not give you access to talk to all - and any, other franchisees in the network.

18. Look for something that's recession proof.

19. Need to have ability to support your own income for at least a year.

20. Throwing caution to the wind is not advisable - the start-up finances and ongoing implications must be researched and fully understood.

21. Dedication required, and failure rates.

22. The best franchises are those that are fully registered with a franchise organisation. Although there are good start-up franchises as well without track records, care has to be taken in making a choice. Try to meet with a franchisor at their site or location. If you are to meet in any other place, get to know why.

23. Be aware that for the first year you'll need some other income support. I expected to take money out by month six. It hasn't happened.

Q: Is there anything else you'd like to tell them?







- 1. Be clear and pragmatic.**
- 2. Before you decide, make sure you are satisfied you can't do it on your own.**
- 3. Go for it!**
- 4. No because I have not run a franchise before.**
- 5. Don't do it until it feels right - doing it because there is nothing else is not good enough. Ensure the partner is on board with the idea, talk to friends and relatives whose views you respect.**
- 6. In our case the franchisor advised that they could generate 50% to 75% of our income from national accounts but omitted to say when they would deliver. This is causing us serious cash flow problems.**
- 7. Research, research, research. It's not what you know, it's what you don't know that will stop you building a successful franchise.**
- 8. It can be fun! And will probably be different. The more you spend, the greater likelihood of success - [and] the greater the financial risk.**
- 9. Make sure [you are] passionate about your chosen path.**
- 10. Think twice - if it's so good why isn't someone already doing it?**
- 11. Decide what you want out of the business - immediate income or capital growth. This will help you choose the franchise that will give you what you want.**
- 12. Consider buying an ongoing business too.**
- 13. Go for it - but pick a franchise with a recognisable national or regional name. One, perhaps, that the general public do NOT realise is a franchise.**
- 14. Get to understand the legalities. Be aware that certain franchises do take time to set up or begin.**
- 15. The main benefit of franchising for me is that what I've done before in business has been lonely. Now I have a very good support system. At any time I can phone and there's someone there I can talk problems over with. I'd encourage people who want to work independently but would like backup to get a franchise.**

2.11 Confidence in the franchising route

Finally we tried to get an indication from this group - who have all been investigating franchising for some time, of their overall feelings about taking up a franchise. We asked them to rate how suitable they thought it was for someone like them, with 10 being very much so and 1 not at all.

All 32 in the sample responded, with the average (mean) score of 6.2 indicating reasonably high confidence in the franchising route. Individual opinion was very widely scattered. But two-thirds of the respondents placed franchising in the more positive half of the spectrum.

Q: On balance, do you think franchising is a suitable route into business for someone like you?

Score	Distribution	Number	Ratio
Not at all		1	3%
2		1	3%
3		3	9%
4		1	3%
5		5	16%
6		7	22%
7		5	16%
8		4	13%
9		1	3%
Very much so		4	13%
Total		32	100%

Appendix P3

Poll 3: How the business support sector sees franchising

P3.1 Sample

For this poll we approached business advisers working for organisations in PRIME's partner network. While independent of PRIME these organisations collaborate with us because they also have an interest in helping older people set up in business or self-employment. At the time of polling - in the last half of 2004, PRIME had a network of just over 100 such partner organisations (it now has more), all but two located in England.

We did not approach organisations outside of PRIME's formal network because it was thought unlikely they'd be willing to let their advisers share information with us in sufficient detail. PRIME's partner agreement specifically covers the sharing of information for research. Advisers were not asked to identify individual clients.

We particularly wanted to get the views of the front-line advisers, the people who are directly involved in dealing with clients as they start up in business. We got back 73 responses, 41 on paper forms, and 32 via an online form in reply to email invitations.






The response rate is hard to estimate because we approached the advisers in a number of ways - often via their managers or other advisers. We don't have a way of knowing how many people these intermediaries passed our invitation on to.

Nevertheless, we received replies from advisers working for a substantial proportion of English business support providers. The findings therefore have to be taken seriously.

P3.2 Profile of respondents

Over three-quarters of the respondents worked for not-for-profit local enterprise agencies or local operators of the government-funded Business Link service.





Q: Type of organisation

Type	Distribution	Number	Ratio
Enterprise agency		31	42%
Business Link		25	34%
Other		6	8%
Private business support organisation		6	8%
Charity		4	5%
County Council		1	1%
Total		73	100%

The private firms here are PRIME partners such as DHP and InBiz, which have contracts from public bodies to deliver start-up support. The charities include the Fredericks Foundation and The Royal British Legion in its business support capacity. The write-in "Other" category was made up of various kinds of local-authority business initiative and an Information, Advice and Guidance partnership.

The business advisers were not asked their gender, but judging by their names just under a third of respondents were women.

P3.3 Knowledge and awareness of franchising**Q: Tick which organisation(s) you have heard of**

Name	Distribution	Number	Ratio
British Franchise Association		69	99%
International Franchise Association		27	39%
Which Franchise Create		21	30%
		15	21%

Almost everybody had heard of the British Franchise Association, a remarkably high recognition rate. By contrast only about a fifth had heard of the more recently established EU-funded CREATE project, with awareness highest (28%) among Business Link advisers.

Next we asked the group a series of questions about their own expertise in franchising. We asked them to rate themselves on a scale of one to 10, with 10 meaning they felt highly knowledgeable and confident, while 1 meant they rated their knowledge as very poor.










There was a wide variation in individual scores, with some respondents much more confident than others. Across the set of five knowledge questions, roughly a third assigned themselves to the bottom half of the scale - with a score of 5 out of 10 or below.

Overall they gave themselves only fair-to-middling grades. This suggests that as a group business advisers are not fully confident in their abilities to deal well with franchising enquiries.







Q: Do you know the steps that need to be taken to buy a franchise?

Score	Distribution	Number	Ratio
No idea at all		1	1%
2		4	5%
3		8	11%
4		6	8%
5		5	7%
6		7	10%
7		12	16%
8		12	16%
9		12	16%
Entirely confident		6	8%
Total		73	100%








Q: How would you rate your knowledge of the role of a franchisor (e.g. MacDonald's)

Score	Distribution	Number	Ratio
Very poor		0	0%
2		7	10%
3		4	5%
4		5	7%
5		6	8%
6		11	15%
7		13	18%
8		12	16%
9		10	14%
Excellent		5	7%
Total		73	100%










Q: How would you rate your knowledge of the skills required to be a successful franchisee?

Score	Distribution	Number	Ratio
Very poor		1	1%
2		5	7%
3		1	1%
4		5	7%
5		3	4%
6		9	13%
7		8	11%
8		19	27%
9		17	24%
Excellent		3	4%
Total		71	100%

Q: How competent do you consider yourself in assessing a franchise opportunity?

Score	Distribution	Number	Ratio
Very poor		2	3%
2		0	0%
3		5	7%
4		8	11%
5		7	10%
6		6	8%
7		14	20%
8		15	21%
9		11	15%
Excellent		3	4%
Total		71	100%

Q: How competent do you rate yourself in advising on franchising?

Score	Distribution	Number	Ratio
Very poor		4	5%
2		2	3%
3		5	7%
4		9	12%
5		8	11%
6		6	8%
7		12	16%
8		15	21%
9		8	11%
Excellent		4	5%
Total		73	100%

To summarise, the advisers gave themselves a mean score of 6.5 on the question about the steps necessary to buy a franchise, 6.3 on the role of the franchisor, 7.0 on the skills required of a franchisee and 6.6 on their competence at assessing a franchising opportunity.

But the key question was "How competent do you rate yourself in advising on franchising?" to which the group gave themselves a mean score of 6.2 out of 10. This does suggest a perceived knowledge gap that could be addressed by training and/or information.



P3.4 Advisers' own training needs

However, just because there is a knowledge gap, this does not mean there is a requirement for training. Training will only be a priority if providing advice about franchising is seen as a significant part of the adviser's job - and if individual advisers request it.

We therefore posed two questions specifically about training.



It turned out some of the advisers had already received some relevant training - but less than a third of them.

Q: Have you received any franchising/structured business format awareness training?

Answer	Distribution	Number	Ratio
Yes		22	31%
No		49	69%
Total		71	100%

The key result was that almost two-thirds of respondents asked for training on giving clients franchising advice.

Q: Do you require further training on providing franchising advice to clients?

Answer	Distribution	Number	Ratio
Yes		45	64%
No		25	36%
Total		70	100%

P3.5 Franchise enquiries and traffic

How much time it is worth spending on training depends also on the demand for the service. We therefore asked the advisers how many clients they had advised about franchising in the last 12 months, and about their ages.

Between them they had advised just under 400 people about franchising. This works out at an average of 5.5 franchising clients per adviser, though the tally varied widely. Three advisers reported helping 30 such clients, while 16 - just under 20% of the sample, had had none.

Roughly a quarter of the clients receiving franchising advice were over the age of 50, amounting to 95 people. There was an even greater difference between advisers here, with about half saying they had had no franchising clients in the 50-plus age group.




What accounts for the difference? It may partly be a matter of geographical catchment area, as franchising requires financial resources, but there are other factors at play too. "It's hard to generalise as every client is different", a respondent in the no group told us, "but the biggest reason is probably that they want to do their own thing. Some franchises require a cash input and older people want to reduce debt and pay off mortgages."

But the other half of our sample told us they were getting franchising enquiries from people over the age of 50. Those advisers who did have older clients dealt with an average of 2.7 older potential franchisees each in the year.

With these traffic levels it may be that a training course that involves taking the advisers out of the office is not appropriate. However there is clearly a need for reference material for advisers, and perhaps some form of on-line training.

It's also useful to know the approximate cost of the franchises involved, as that implies a lot about the type of franchise the client is considering and the kind of support they might need.

Q: What was the average investment required?

Amount	Distribution	Number	Ratio
£5,000 to £10,000		11	21%
£15,000 to £25,000		32	60%
£30,000 to £50,000		11	21%
£50,000 to £100,000		2	4%
£100,000 upwards		0	0%
Other		2	4%

The write-in other responses were both zero, which is possible in exceptional circumstances if the franchisor waives the franchise fee - or if the deal isn't really a franchise but some other distribution arrangement.



But even including these two rogue answers the average reported cost was in the region of £20,000, which suggests clients were indeed seeking advice on the sort of serious business-format franchise dealt with elsewhere in this report.

P3.6 Support offered to franchisees

So what advice are potential franchisees getting at the moment?



Few advisers (only 13%) were able to offer them any in-house training courses.

Q: Does your organisation offer any franchising awareness courses for interested clients?

Answer	Distribution	Number	Ratio
Yes		9	13%
No		58	87%
Total		67	100%

But two-thirds did have some suitable material to give them.



Q: Does your organisation have any franchising awareness material for interested clients?

Answer	Distribution	Number	Ratio
Yes		46	67%
No		23	33%
Total		69	100%

Nonetheless that still left a third of respondents with nothing to hand to give to people with franchising enquiries.

Answers to the next question in this group are hard to interpret, as we used the word "promote" and it seems to be a loaded one, carrying different meanings to different people.

Q: Does your organisation promote franchising or any other structured business formats as a start-up avenue?

Answer	Distribution	Number	Ratio
Yes		30	43%
No		39	57%
Total		69	100%

The negative response here seems to contradict the previous question, and earlier ones about the adviser's own training needs.

One respondent even wrote in "recognise" for "promote" on the form, before responding positively. Most of the Business Links advisers answered No, even ones whose other answers indicated they were active in supporting clients with franchise queries. "Promote" may be a word that advisers working for public sector or not-for-profit organisations - and trained to give best advice to fit the needs of the individual client, naturally shy away from.

It's easy to get confused by differences in language when people from different cultures come together. Start-up support brings together people from the different worlds of central and local government, large and small business and the charitable sector, not to mention clients from very diverse backgrounds. It's inevitable that sometimes we don't fully grasp what the other person is trying to tell us.

So what are the business advisers really telling us about their attitude to franchising? It's important to realise that the lack of in-house courses, franchising material or active promotion isn't evidence of disinterest in the topic. One respondent who answered all three of the questions in this group in the negative later wrote "We'd be happy to promote franchising more if you can provide the materials".

What needs to be recognised here is the financial context. Most PRIME partners don't have large budgets for marketing. If each adviser only gets a few requests a year from people interested in the franchise route then spending on special materials and training to support them is not likely to be a high priority.

However, if someone else with an acceptable reputation in the business support field can provide good-quality franchising materials and training free or at low cost it is likely to be another matter. The response to the earlier question on adviser training implies uptake may well be good.




P3.7 Awareness of other support available

Business start-up advisers are already used to working in conjunction with specialist professionals such as accountants, bankers and solicitors. We asked them where they'd send someone considering a franchise for help in evaluating the proposition.





Anyone thinking of investing several thousand pounds on taking up a franchise is likely to talk with several different types of people, so we asked for first, second and third choices.

This was just as well, as the second and third choice were the most interesting. There was a lot of self-voting for the top slot, with 20 of the 35 enterprise agency advisers for example voting for enterprise agencies as the number one source of wisdom.








Q: Where would you send a client as your FIRST CHOICE for advice and guidance if they were considering starting a franchise or growing a business through franchising?

Choice	Distribution	Number	Ratio
Enterprise Agency		27	39%
Business Link		16	23%
Trade Association / Professional body		13	19%
Other business owners, employees or managers		3	4%
Bank manager		3	4%
Internet		2	3%
Solicitor		2	3%
Chamber of Commerce		1	1%
Department of Trade and Industry		1	1%
Private Consultancy		1	1%
	Total	69	100%

Q: Where would you send a client as your SECOND CHOICE for advice and guidance if they were considering starting a franchise or growing a business through franchising?

Choice	Distribution	Number	Ratio
Business Link		11	16%
Trade Association / Professional body		11	16%
Bank manager		10	15%
Other business owners, employees or managers		8	12%
Accountant		8	12%
Solicitor		5	7%
Enterprise Agency		4	6%
Chamber of Commerce		3	4%
Department of Trade and Industry		3	4%
Internet		2	3%
Friend / relatives		1	1%
Local Authority		1	1%
Private Consultancy		1	1%
Total		68	100%

Q: And where would you send a client as your THIRD CHOICE for advice and guidance if they were considering starting a franchise or growing a business through franchising?

Choice	Distribution	Number	Ratio
Other business owners, employees or managers		12	19%
Accountant		11	17%
Solicitor		9	14%
Bank manager		8	13%
Trade Association / Professional body		7	11%
Internet		6	10%
Business Link		4	6%
Enterprise Agency		2	3%
Chamber of Commerce		1	2%
Department of Trade and Industry		1	2%
Inland Revenue		1	2%
Private Consultancy		1	2%
		Total	63
			100%

We have eliminated choices that received no votes from the tables for clarity.

What stands out here is the strong showing by trade association / professional bodies, which about a third of people overall voted for as one of their choices. Indeed, write-in answers here and responses to a later open question could be added to the score, with many making it clear that potential franchisees would be referred to the BFA early in the process.

One respondent wrote they would "use British Franchise Association and their events, banks with franchising department and their guidance publications, and appropriate book on franchising. Then they would need appropriate business support from accountant, solicitor and others who have bought and run a franchise."

Solicitors showed up less in the top three choices than we expected given the importance of the franchise agreement to any franchisee, but maybe advisers see them as coming in later in a fairly lengthy process - once the franchisor has been chosen and the money sorted out.

Another respondent wrote "Found difficulty answering the last question as we would offer client advice and suggest they research over the internet,

speaking to existing franchise holders and get a view from the franchise department of their own bank."

P3.8 Advisers' comments on the franchising route for older people

On the online version of the questionnaire we provided an opportunity for respondents to share lessons they'd learnt with others advisers and those considering the franchising route. The responses are listed below, under the open question that prompted them.

We've also included remarks written on the paper version of the form that went out first to some of the sample. It didn't have the final open question, but this didn't stop people writing on the margins of the form anyway. We thank all respondents for taking to the task so enthusiastically.

The responses have been lightly edited for grammatical consistency and readability, but otherwise not tampered with. Any editorial additions are marked [by square brackets]. The order is arbitrary. All comments received from business advisers are included.

Q: Is there anything else you'd like to say about franchising as an option for the over 50s?

- 1. Franchise opportunities are often suitable for over 50s who have managed to build a little capital and are open to direction.**
- 2. It is often an ideal route providing the capital is available and the correct franchise is taken - some are not all that they seem.**

As a former Bank Manager with training and responsibility for franchises in the Humber area, I am more positive than most. But prospective franchisees often look for the cheaper franchise which turns out to be more a licensing operation, where they get little or no support or where the trading name is not well known.

The better franchisors offer an accepted route to market, ongoing support and are more interested in the growth of the franchisee operations than in simply getting as many up front payments as they can - for what are often simply ideas rather than proven business-format franchises.

- 3. It is a good way of starting the business off running. May have a track record. A good marketing tool as it has already been proven.**
- 4. Excellent, safe and reliable way to invest hard-earned earnings or savings.**

5. Provides a well-thought-out business format for people who do not have to time to make their own mistakes.

6. I have a real concern that people of ALL ages are choosing this option as an easy way into business. HOW WRONG that would be. The work associated with taking on a franchise is immense, not to mention the investment. [Often] the individual going into the venture has limited or no experience in the chosen field. Not wishing to pour water on the concept, I would be very hesitant vis-a-vis taking up a franchise. The overriding question I would pose is WHY?

7. Research thoroughly the offers. Try to get a PAYE position in a business before launching into a franchise of a similar nature.[Getting] experience and working in the preferred environment will not frustrate franchise training, but will allow a feeling of commitment.

8. Can be a worthwhile option for those who can afford the investment.

9. In some cases it may remove some of the worries of setting up by using a recognised format for success.

10. Relatively easy to check other franchisees, banks are generally supportive, and training is usually included in the package.

11. Clients need to consider how long they will be wishing to work - as the initial investment may take some time to recoup. It's very important to speak with other franchisees.

12. Had two clients starting up as driving instructors. Seems a cost-effective option providing franchise is legit. One other client started a Kleeneze franchise - with surprisingly good earnings.

[Kleeneze is probably best regarded as a direct selling operation rather than a business-format franchise- Ed.]

13. In all the years I have been an adviser to start ups and small businesses I have probably had no more than three or four franchise enquiries and none were over fifty.

14. We'd be happy to promote franchising more if you can provide the materials

15. Quite rare for enquiries (less than 5%)

16. Enquiries are almost nil about franchising - very low in the Bristol area. It's hard to generalise as every client is different. But the biggest reason is probably that they want to do their own thing. Some franchises require a cash input and older people want to reduce debt and pay off mortgages.

Remarks about section P3.7, awareness of other support available

17. None of the above. I would use British Franchise Association and their events, banks with franchising department and their guidance publications, and appropriate book on franchising. Then they would need appropriate business support from accountant, solicitor and others who have bought and run a franchise.

18. Additionally I would signpost the client to the BFA and the NatWest franchising specialists

19. Found difficulty answering the last question as we would offer client advice and suggest they research over the internet, speak to existing franchise holders and get a view from the franchise department of their own bank.

20. Franchise exhibition / franchise association in the first instance. If a decision on the franchise has been made then the usual route of banks for funds, trade association for advice and Business Link people in the industry would be more appropriate.

21. We have a local solicitor who is THE specialist locally.

22. Plus BFA.

23. Cannot answer this last question due to the variable quality of provision. It would depend where the client is located and then the three best providers in the area would be recommended. Sorry.

24.. Note by PRIME coder: British Franchise Association written in as first choice.

25. Note by PRIME coder: ticked 5 boxes - accountant, Inland Revenue, Business Link, enterprise agency and Internet.

26. Note by PRIME coder: accountant also given as fourth choice

27. Note by PRIME coder: ticked six choices - with accountant, business link and enterprise agency also figuring.

28. Note by PRIME coder: HSBC written in.

Other remarks by respondents on other topics

29. We do not provide funding for franchise type start-up businesses. [We have advised] one or two but we couldn't help with funding. We have turned several away.

30. I will be receiving training soon for franchising/structured business format awareness.

31. Would like info on providing franchising advice to clients.

32. Franchising is not a business format it is a way of operating a business. Business formats are Sole Trader, Ltd Company etc. A Franchise can be any of these.

33. Note by PRIME coder: wrote in "would know where to direct to relevant information" as well as rating self as a 4 on question about competence advising on franchising.

34 Note by PRIME coder: wrote in "recognise" in place of "promote" on question about "Does your organisation promote franchising as a start-up avenue?"

Appendix P4

Poll 4: How the older public sees franchising

P4.1 Sample

This poll was carried out between the Spring and Autumn of 2004, so it was the first of the surveys undertaken for this study. It therefore had an exploratory nature. We did not try to acquire a statistically representative sample of the older general public, but rather one of sufficient size and variety to provide plenty of insights into possible relationships among the variables.

Since we wanted large numbers, for logistical reasons the method we adopted was that of the street survey, or what Americans call a mall survey - we simply went up to people and talked to them. The only quota restriction we imposed was that of age - we excluded people who were under 50.

The questionnaire was administered by PRIME's permanent staff to retain control of the process. The sample we wanted was not meant to be representative of the entire general public in the 50-plus age group, for this includes many content with retirement as well as the elderly and infirm.

Polling was therefore carried out at locations where we were more likely to find a relevant public - one that might conceivably be thinking about self-employment or setting up in business. We were particular keen to find examples of both "opportunity entrepreneurs" - those starting a business because they wanted to, and "necessity entrepreneurs" - those forced down this route just to obtain an income.

The sample is therefore biased towards those who frequent Jobcentres, career and business fairs, colleges and evening classes, libraries, shopping centres and other places where active people in our target age range who might possibly be interested in franchising could be found.




We got back 823 responses, easily a large enough sample to achieve our objectives. But it is important to reiterate that it was not intended to be a sample representative of the general public, but a purposive convenience sample selected to help us explore issues surrounding franchising.

So the answers here to questions like "Are you interested in starting a business?" are not a reliable guide to how many in the general 50-plus population want to do this. To find out you are better off looking at the UK government's Labour Force Survey, or studies produced by the academic research consortium Global Entrepreneurship Monitor (GEM).

PRIME will be publishing a separate analysis of the latest Labour Force Survey and GEM data in the autumn of 2005, which explicitly addresses the whole gamut of important demographic issues of this nature.

P4.2 Profile of respondents

Over three-quarters of the respondents were in their 50s. PRIME's experience and the findings of numerous other studies suggests that this younger part of the target over 50s age group are the most likely to set up in business, so we were keen to include plenty of them.


Age			
Age	Distribution	Number	Ratio
50 to 59		623	76%
60 to 69		139	17%
70 upwards		61	7%
Total		823	100%

The gender split was 70% male to 30% female.

Geographically the responses all came from England - there were none from Scotland, Wales or Northern Ireland. This is a consequence of our decision to do the survey using PRIME's own staff - we don't have representatives outside of England. For similar reasons we had few responses from the North West or Yorkshire & Humberside, but the other seven English regions were all well represented. No more than 10% of responses came from London.

Most people answered the optional ethnicity question, revealing an ethnic balance that was overwhelming white, of British background.


Q: Ethnicity: please tick the appropriate box to indicate your cultural background

Category	Distribution	Number	Ratio
White - British		644	89%
White - other White background		24	3%
Black or Black British - African		13	2%
White - Irish		11	2%
Asian or Asian British - Indian		6	1%
Black or Black British - Caribbean		6	1%
Any other ethnic group		3	0%
Asian or Asian British - other Asian background		3	0%
Black or Black British - other Black background		3	0%
Mixed - White and Black Caribbean		3	0%
Mixed - White and Asian		2	0%
Mixed - White and Black African		2	0%
Asian or Asian British - Pakistani		1	0%
Chinese		1	0%
	Total	722	100%

P4.3 Current labour-market status

Almost half the respondents were in paid employment, with 17% retired and a similar number on various kinds of benefit.

3. Please indicate your current labour market status. Tick one only.

Category	Distribution	Number	Ratio
Paid employment		338	46%
Retired		124	17%
Receiving JSA benefits		63	9%
Other		56	8%
Not registered unemployed		46	6%
Self-employed		45	6%
Receiving Incapacity benefits		43	6%
Receiving NI credit or working tax credit		17	2%
	Total	732	100%









Not everyone chose to answer this question, with about 90 people preferring not to. The "Other" category here was also high at 8% of the total, reflecting both a genuine diversity in people's circumstances and some hard-to-categorise arrangements.

Of the more straightforward Other cases, 10 people told us they were being made redundant, eight were working part time, four had full-time responsibilities as carers and four were on sick leave.

P4.4 Current awareness of franchising

At this point we asked our first question about franchising, asking individuals to rate their own knowledge and understanding of the subject. They were asked to assess themselves on a scale of one to 10, with 10 meaning excellent while 1 meant very poor.

Q: How would you rate your knowledge and understanding of franchising?

Very poor		91	11%
2		106	13%
3		152	19%
4		126	16%
5		112	14%
6		69	8%
7		59	7%
8		60	7%
9		18	2%
Excellent		19	2%
Total		812	100%

There was a wide variation in individual scores, but most respondents placed themselves in the bottom half of the scale - with a score of 5 out of 10 or below. The mean score was only 4.3 for the whole sample, which doesn't show much confidence.

Comparing the answers given to this question with other things the respondents told us allows us to start looking for possible relationships between the variables. For example, age does seem to make a difference to how people assessed their knowledge and understanding of franchising, but gender doesn't.


So while the 50-59 year-olds gave themselves a mean score of 4.2, the 60-69s were slightly more confident at 4.5, while the over 70s gave themselves an unconfident 3.5.

There's little difference in how men and women rate their understanding of franchising. The mean female score of 4.1 was only slightly down on the 4.3 of the men.

P4.5 Personal interest in franchising

Next we asked people about their attitude to franchising as a way into business for themselves.

Q: Would you consider taking up a franchise as a way of going in to business or self-employment?

Yes		344	45%
No		426	55%
Total		770	100%

As expected with our sample most people said No, but it's quite close, with only 10% difference between the numbers in each camp. And having large numbers of respondents available on both sides of this key question gives much better scope for further analysis.

For example, comparing this answer to the responses to the previous question revealed that Yes camp was the more confident about franchising, giving themselves a mean score of 4.6 on the knowledge & understanding scale as against 3.8 from those who said No.

That's not unexpected, but when we turn to the link with age and gender we find more startling differences.

P4.6 Franchising propensity and age

If you look at what choice the people in each age group made there appears to be a very strong connection with age.

For our sample just over half of those in their 50s would consider franchising, falling to under a third of those on their 60s and under a tenth for those in their 70s.

Q: Would you consider taking up a franchise as a way of going in to business or self-employment?

	Age:		
	50 to 59	60 to 69	70 upwards
Yes	51.4%	31.5%	8.3%
No	48.6%	68.5%	91.7%
Total	100%	100%	100%

Another way of looking at the age connection is to examine the age structure of the two camps, stacking up pyramid fashion with the oldest at the top.

Age:	Q: Would you consider taking up a franchise as a way of going in to business or self-employment?	
	Yes camp	No camp
70 upwards	1.5%	12.9%
60 to 69	11.9%	20.9%
50 to 59	86.6%	66.2%
Total	100%	100%

This means that less than 2% of the Yes camp was aged 70 or upwards, with the great bulk of the people interested in going ahead with franchising being in their 50s (86.6%) or 60s (11.9%).

There were proportionately more older people in the No camp, although there were also plenty in their 50s reflecting the large number of people in their 50s in the sample. The key point is that the average age of those willing to consider franchising was significantly younger.

P4.7 Franchising propensity and gender

If we do a similar thing for gender we can only be approximate, as not everyone who answered the franchise question also answered the sex one (they all provided their age). But if we concentrate on the 683 people who answered both the franchise and sex questions, we get this picture.

Q: Would you consider taking up a franchise as a way of going in to business or self-employment?		
	Sex:	
	Male	Female
Yes	48.0%	28.6%
No	52.0%	71.4%
Total	100%	100%

So for our sample just under half the men would consider franchising, but less than a third of the women.

However, while true this is misleading. With older people what appears to be a gender effect is sometimes an age effect in disguise because women survive for longer. This is probably the case here, because while 80% of the male sample are in their 50s, only 62% of the women are, with the rest being in their 60s and 70s - age groups that we know are less likely to be interested in franchising.

Age:		
	Sex:	
	Male	Female
70 upwards	6.4%	12.4%
60 to 69	13.2%	25.2%
50 to 59	80.4%	62.4%
Total	100%	100%

So much of the apparent gender difference may just be older people saying No to franchising - and as you move up the age bands older people increasingly means older women, in our sample as in the wider population. Gender itself is probably having little independent effect, but is instead serving as a proxy for age.

P4.8 Common personal attitudes to franchising

At this point it's worth pointing out again that the sample is not meant to statistically representative of the older general public but is a more active subset that's more likely to be looking for work or interested in starting a business. In other words it contains more of the kind of people that PRIME and its partner organisations - as well as franchisors, are most likely to be interested in.

So more useful than the precise percentages is the reasons people have for their answers - particularly to the question whether they would consider taking up a franchise as a way of going in to business or self-employment.

So we asked the simple open question "Why?" after they'd given their Yes/No response. The answers were very revealing of attitudes to franchising among this active 50-plus sample.

P4.9 Main themes to emerge

The full set of responses runs to 533 answers. But they do fall into common themes, so it's possible to analyse them. We also present example quotes drawn from all the most popular viewpoints below.

In the Yes camp the lack of other suitable jobs came up a lot (mentioned about 20 times) - but was not the top theme. It's not possible to exactly quantify the more popular reasons, as they were often more complex and expressed in various ways and combinations. But support was very clearly the main attraction of franchising to our respondents, followed by a perception that the risk of failure was lower and that it was possible to get a franchised business going more quickly.

In the No camp there were also several common themes. Age and strongly age-related reasons were mentioned 64 times, but would probably be a disincentive equally for any other arduous business venture.

The most-cited No reason related to franchising was the initial expense and ongoing need to share the proceeds of the business with the franchisor (44 mentions). And many respondents wanted to retain full independence and the ability to develop their own business ideas (32), and gave that as their reason for saying No to franchising.

It's interesting that risk came up as both a Yes and No reason. What seems to be going on is that a significant number of people in the Yes camp see franchising as a way of reducing business risk, but others find the risk of starting any kind of business as daunting.

Risk was mentioned at least 32 times by the No respondents, most often in general terms that would apply to starting any business, but, as can be seen from the examples below, sometimes the risks mentioned were specific to the franchise route or the franchisor-franchisee relationship.

There were also some people who said Yes or No and then heavily qualified this with their answer to the Why question.

These 'maybe' answers fell into two groups. The first group mentioned things about the franchise they'd want to check out further. The second was mainly about the respondent's circumstances and how changes to them might affect their answer. There are some examples of the both these types of response below in the Maybe section.

P4.10 Quotes about franchising

For clarity we've mostly chosen the better-expressed reasons, but we have taken care to include examples from all the popular viewpoints, both for and against the franchising route. The negative responses outnumber the positive ones because more of the No respondents gave us their views, and they had a greater variety of reasons.

The grouping into themes below and the headings *[in square brackets and italics]* have been added by PRIME to aid readability.

P4.11 Reasons given for YES to franchising

Q: Would you consider taking up a franchise as a way of going in to business or self-employment?

Yes.

Q: Why?

[Support]

Because of the support
There is support, market knowledge
Built-in help
Backup from more knowledgeable people
For the assistance with setting up the business and access to market
Lack confidence and knowledge to start-up alone

[Reduced risk]

Because it is likely to reduce the risk of failure
Established franchise would offer better security than 'going it alone'
The foundation has already been laid - would feel more chance of success/support.

[Proven business]

Ready-made business, with proven track record
Packaged start-up business with track record
Tried and tested idea
Proven to work already
Proven product/service

[Quick start]

**Quicker development of business and scale
A reasonably quick way into my own business
More likely to get immediate profit/success
To gain quick access to successful business ideas
Because the franchise is all ready to go or established**

[Existing brand]

**I could get off to a good start by using a brand name product
Market on back of established name
Established brand - industry specific expertise and knowledge
To be part of an established group**

[Easy route]

**A lot of the hard work already done
Takes away the 'start-up' stress
It would be easier than starting on my own
It's a less fraught option for self-employment**

[Other job options limited]

**To get a job - to start off a business but with some help
Redundant - no other option
Limited employment options at my age
No jobs [about 20 respondents said this]**

[New challenges]

**Since retired looking for a new challenge
I am already self-employed and looking for opportunities**

[Example of other people]

**Friends do it
Know people who are successful in it. Like the idea
Because a lot are very successful
Considering driving instructor course, seems industry norm.**

P4.12 Reasons given for NO to franchising

Q: Would you consider taking up a franchise as a way of going in to business or self-employment?

No.

Q: Why?

[Initial expense]

**Too expensive
Could not afford it
Have no money to risk
Need money to buy in
Don't want to be tied to large capital outlay**

[Ongoing fees]

**Someone else gets most of profit
A lot of outlay for a small percentage of the profits
Too big a cut out of profit
You work hard, they take too much back
The odds are loaded in favour of franchisor - profit control
Sharing profit with franchisor in early years and capital required.
Franchisee gets rough [deal] and franchisor gets profit
Too much money for franchisors
Underpaid**

[Loss of independence]

**I prefer to be completely independent
It would be working for someone else. I would like to work for me!
Too much conforming to others' standards
Don't like being told what to do
Want to do things on own terms
Rather have full control
Not a person who finds it easy to do as told - I like to be in control.
It's working for someone else
You are working for someone else who expects you to work as if you are self-employed
Want to do own thing
Want to be own boss**

[Want to use own ideas]

I prefer to have/use my own ideas
[I want] to go into business with my own ideas
Want to use my own ideas and develop them independently
Want to do own thing - and want to sleep at night
Own business doing well - no time
Busy with my own business
Already self-employed

[Too much risk]

Don't want to risk savings
Risky investment
It is very risky
Too much risk
Too expensive. Too risky
I dread mistakes

[Lack of security]

Would be too anxious about not having regular salary
Like security of employment

[Bad reputation]

Too many horror stories on rogue franchising schemes
Not all providers of franchises appear honest.
Have thought about it. Garage franchise can be a rip off
Not interested - heard some are 'rip off'

[Bad experiences]

Have had bad experience with franchisors
Friend's bad experience
Got locked into buying products and was unable to sell on
Known people who have done it and received bad treatment from franchisor
Have been in franchise before
Twice bitten!

[Against on principle]

Don't like the principle of them
Never! Don't believe in that structure

Never - know too much about them
The business can fail through no fault of the franchisee if the franchiser
can't properly deliver their part of the deal
Pressure and too many people involved - clouds decision making
Exploitation

[Not available in my business area]

Haven't seen type of business I want franchised
Franchise uncommon in my business [area]
It does not apply - my business is unique
Franchising is not relevant to intended business
Cannot find suitable product

[Age itself]

Too old to start biz
Too old - trying to wind down
Too old to put in the time
Trying to slow down - teaching and own business enough
Not now because been there, done that
I don't wish to work in my retirement. I would consider it if I needed or
wanted to work.
I've worked enough
Maybe when I was younger
If I was younger
Would have done earlier

[Age-related reasons not to]

No desire to borrow money at my age (61)
Don't want to start a business now - risk involved
Reluctant because of risk at age of 60+
Too senior and finance involved
Not the age I am now - people don't want you
Would if I was able (not able because of health)
I'm a carer full time
Prefer voluntary activities

[Lack of knowledge]

Because I don't understand it
Don't know enough of business
Unsure - involves investment. Don't know much about it.
Don't have a clue
Know nothing about it

Never thought about it

[Other negative reasons]

**Not interested
Have considered, but decided no
Looked at it in past
Never appealed to me
Too much hard work
Have always been self employed**

P4.13 Maybe: qualified responses to the franchising route

[Caveats about the franchise offer]

**If it was a well-known name with good back-up and support services
Depending on cost
Depends on contractual conditions
Depending on credibility of franchise
Would consider if appropriate and viable in home area
Only if it's really good, genuine and if I can have local interviews
I would want to know a lot about it**

[Factors to do with the respondents circumstances]

**Possibility in future
Thinking about doing it
Buying franchise magazines and it's an interesting concept.
If out of work and depending on the franchise
If it can be 9-5
As long as no funding required**

P4.14 Knowledge of franchising costs

It's helpful at this point to present respondents answers to a question about the cost of franchises, as this will clarify what they were thinking about when they answered the previous question.

Q: Tick how much you think it would cost to buy a franchise.

£5,000 to £10,000		160	21%
£15,000 to £25,000		296	38%
£30,000 to £50,000		282	36%
£50,000 to £100,000		122	16%
£100,000 upwards		78	10%
Other - please state below		37	5%

This is a fairly accurate estimate, and not dissimilar to the reply given in Poll 3 by the professional business advisers or the costs reported in the latest NatWest/BFA survey (see Chapter 5).

So it's clear that in previous section most of the respondents probably were thinking about the sort of business-format franchising covered in this report. Despite a widespread lack of confidence in their understanding of the details, when it comes to money they are in the right ballpark.

P4.15 Intentions about setting up in business more generally

Taking up a franchise is only one way of setting up a business. As the NatWest/BFA survey figures in Chapter 5 show, it is a minority one, with there being perhaps no more than 33,000 franchisees in the UK.

So we asked the sample a broader question about their whether they were thinking about setting up a business or self-employment.

Q: Are you considering starting a business or going into self-employment?

Yes		423	55%
No		343	45%
Total		766	100%

Most (95%) of the people who answered this question also answered the question about considering franchising, so we can explore the relationship.

The striking result is that over two-thirds of those thinking of starting a business or going into self-employment would consider a franchise.

Q: Are you considering starting a business or going into self-employment?		Q: Would you consider taking up a franchise as a way of going in to business or self-employment?	
		Yes	No
Yes		68.2%	31.8%
No		15.5%	84.5%

Surprisingly, just over 15% of those who weren't thinking of starting a business or self-employment also said they would consider a franchise. This could mean they look upon franchising as a form of employment. Or it could just mean they are confused or changed their mind during the course of the interview.

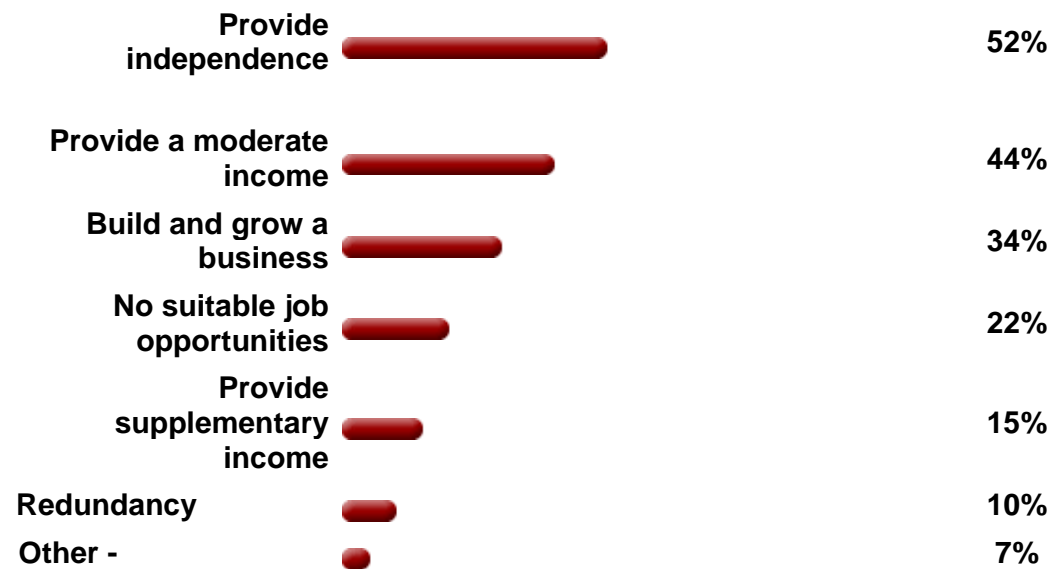
P4.16 Motivation for setting up in business more generally

The motivations of all those interested in setting up in business - not just the franchising group, are worth probing further.

Multiple answers were valid, so the total adds up to more than 100%.

What stands out from the answers, apart from the desire for independence - the top choice, was that people were looking for a job or additional income.

Q: Please indicate your reasons for considering business start-up or self-employment






The one word that sums this up is 'livelihood'. The high score (44%) received by "moderate income" suggests many respondents weren't the highly ambitious entrepreneurs of popular stereotype, but ordinary people in search of a reasonable living.

The "Other" answers often just repeated what the respondent had ticked in another form of words. Original answers were very varied and no common popular new themes emerged.

P4.17 Timescale

Next we asked those interested in business about their timescale. More than 70% were thinking of going ahead within a year.

Q: When in the future are you considering starting a business or going into self-employment?

Within six months		34%
Within 12 months		37%
Within 18 months		14%
Within two years		16%
Total		100%

P4.18 Support requirements

What help did respondents see as useful to get them started in business?

We asked this question of the whole sample, and then cross-tabulated the answers with replies to other questions. The table below shows the results for both those interested in franchising and those considering starting a business or self-employment more generally.

The top three answers were very clear, and similar for both groups. They requested help with finance, preparing the business plan and talking through their business ideas.

Q: What support / services do you think you need to help you into business or self-employment?

	Would you consider taking up a franchise as a way of going in to business or self-employment?	Are you considering starting a business or going into self-employment?
	Yes	Yes
1. Guidance regarding sources of finance	45%	51%
2. Preparation of business plans	47%	49%
3. One-to-one discussion of business ideas	44%	49%
4. Guidance as to suitability for self-employment	35%	38%
5. On-going business mentoring	30%	36%
6. Business training	27%	35%
7. IT training	22%	27%
8. Training in market research	23%	27%
9. Opportunities for group exploration of business ideas	22%	25%
10. Vocational training	15%	16%
11. Other	3%	4%

This was a multiple-choice question, so the figures add up to more than 100%. It was also a prompted question, with respondents asked to tick boxes from a menu of options. This approach often yields a large "Other" category. But here respondents had few extra suggestions to add - although one respondent wrote "a good idea".

Interestingly, if we look at the answers from only those respondents who are considering franchising, their support requirements were almost identical to the wider business start-up group.

They gave the same top three - help with finance, preparing the business plan and talking the idea through are well ahead of everything else. But preparing business plans just takes the top slot ahead of finance.

The rest of the list is in the same popularity order right down to position seven, where fewer of the would-be franchisees want IT training. More want help with market research. But there's very little in it.

Top 10 support requests from would-be franchisees:








- 1. Preparation of business plans**
- 2. Guidance regarding sources of finance**
- 3. One-to-one discussion of business ideas**
- 4. Guidance as to suitability for self-employment**
- 5. On-going business mentoring**
- 6. Business training**
- 7. Training in market research**
- 8. IT training**
- 9. Opportunities for group exploration of business ideas**
- 10 Vocational training**

P4.19 Awareness of other support available





Returning explicitly to franchising, we asked the whole group where they'd go for advice if they were considering buying a franchise.











We asked for first, second and third choices, as they might think it worth talking to a range of different types of people.

Q: Who would you approach as your FIRST CHOICE for advice and guidance if you were considering buying a franchise?

Other business owners, employees or managers		182	25%
Bank manager		166	23%
Trade Association / Professional body		69	9%
Friend / relatives		61	8%
Accountant		55	7%
Business Link		41	6%
Solicitor		34	5%
Department of Trade and Industry		31	4%
Enterprise Agency		29	4%
Citizens Advice Bureau		20	3%
Chamber of Commerce		16	2%
Internet		13	2%
Private Consultancy		7	1%
Local Authority		6	1%
Inland Revenue		4	1%
		Total	734
			100%

Q: Who would you approach as your SECOND CHOICE for advice and guidance if you were considering buying a franchise?

Bank manager		136	19%
Other business owners, employees or managers		88	12%
Friend / relatives		81	11%
Accountant		73	10%
Trade Association / Professional body		72	10%
Solicitor		55	8%
Business Link		52	7%
Enterprise Agency		40	5%
Department of Trade and Industry		33	5%
Citizens Advice Bureau		26	4%
Chamber of Commerce		20	3%
Internet		18	2%
Local Authority		15	2%
Private Consultancy		13	2%
Inland Revenue		6	1%
		Total	728 100%

Q: And who would you approach as your THIRD CHOICE for advice and guidance if you were considering buying a franchise?			
Bank manager		111	16%
Accountant		100	14%
Solicitor		69	10%
Trade Association / Professional body		65	9%
Other business owners, employees or managers		55	8%
Enterprise Agency		54	8%
Internet		46	7%
Friend / relatives		42	6%
Chamber of Commerce		35	5%
Business Link		34	5%
Department of Trade and Industry		28	4%
Private Consultancy		19	3%
Local Authority		18	3%
Citizens Advice Bureau		15	2%
Inland Revenue		15	2%
		Total	706 100%

Compared to the professional business advisers who we also asked this question (see Poll 3), this larger more public group is much more likely to turn to bank managers for advice.

But also and very significantly, they would consult other business people. Described here as "other business owners, employees or managers" this could mean other franchisees - or any business person or entrepreneur the respondent knows and trusts. Whatever it means precisely, these were the people the greatest number of our respondents would turn to first.
















Trade associations and/or professional bodies also have a respectable profile, with many people putting them high up the list.

On the other hand solicitors do less well than you might expect, with number three on the third choice list being their best showing.

P4.20 Intended business sector

We got a very wide spread of replies in response to this question, with a wide range of different types of business being contemplated.

Q: Please indicate the sector in which you intend to start your business or self-employment

Other - please state below		72	17%
Food and drink		46	11%
Arts and crafts		43	10%
Business services		43	10%
Other services		40	9%
Residential property		39	9%
Retail services		37	9%
Farming and horticulture		36	8%
Health and beauty		30	7%
Clothing and accessories		28	6%
Financial services		27	6%
IT and telecoms		26	6%
Sports and leisure		23	5%
Animals and pets		22	5%
Transport		21	5%
Manufacturing		19	4%
Construction		18	4%

The largest single category, here is "Other", so what was in it?

Multiple options were allowed, so sometimes people were just explaining their choice a bit more.

Education & training got the most clear mentions - about 10. A similar number said they were still looking for an idea or open to the best option.

There may well have been more educational businesses being planned than the bald responses suggest, as teaching was the most likely revenue stream of some of other entries - for example "Angling".

Overall the other category was very diverse, with speed dating, child care, karaoke, a post office and an alternative retreat among the many different ideas mentioned.

P4.21 Knowledge and awareness of franchising

Finally we asked four more questions designed to gauge people's confidence and expertise about franchising. These confirmed in detail the lack confidence found at section P4.4. The procedure was again to get them to rate themselves on a scale of one to 10, with 10 meaning excellent or entirely confident and 1 meaning the exact opposite.

Q: Do you know what steps you would take to buy a franchise?

No idea at all		167	21%
		125	15%
		156	19%
		117	14%
		97	12%
		49	6%
		36	4%
		39	5%
		9	1%
Entirely confident		18	2%
Total		813	100%

Q: How would you rate your knowledge of the role of a franchisor (e.g. MacDonald's)

Very poor		140	17%
		184	22%
		125	15%
		116	14%
		93	11%
		48	6%
		42	5%
		39	5%
		14	2%
Excellent		17	2%
Total		818	100%

Q: How would you rate your knowledge of the skills required to be a successful franchisee?

Very poor		135	17%
		158	19%
		115	14%
		98	12%
		113	14%
		68	8%
		43	5%
		41	5%
		28	3%
	Excellent		19
Total		818	100%

Q: How competent do you consider yourself in assessing a franchise opportunity?

Very poor		134	17%
		87	11%
		99	12%
		99	12%
		131	16%
		98	12%
		55	7%
		49	6%
		32	4%
	Excellent		28
Total		812	100%



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