

# 7 common pitfalls of Franchising

There are some particular pitfalls and issues to be faced when franchising a business. It is rare for even the most experienced businessperson to have them all covered. We can help you flush them out so they can be addressed before you start the business, when fixing them is least expensive.

Here are some of the more common pitfalls you could come up against:

## Using the wrong kind of cost-model

A management accounts view of your franchise business won't tell you everything you need to know to ensure your new business is successful. It won't tell you whether you've got the right financial split between franchisee and franchisor so you both make money.

Neither will it tell you what is the right speed at which to move forward, or when to take remedial action if things don't turn out quite as you expected.

At Replico we help you to produce a process-based and marketing and sales activity driven cost and revenue model that enables a thorough 'what if' analysis, starting with an individual outlet then looking at the franchise business as a whole. This enables you to identify which are the critical factors for the success of your business and to see the potential impact of different scenarios on the growth of your business before they happen. This means you get the chance to adjust your business model to pre-empt these problems right from the start.

In fact at Replico we believe this model is so important to the success of your franchise that we insist on producing this model as a condition of working with you.

## Underestimating the total amount of time, effort and money it's going to take to do it properly

Discounting specialist fees, the cost of setting up a franchise that will run successfully is significant. You and very probably other members of your team will need to spend a considerable amount of time and effort thinking about what you want to do, the best ways to make it work and then getting it to actually happen.

All this will have an impact on you, your business and possibly your current revenue.

At Replico we work in three ways to help you make the most of your input into the franchise set-up. Firstly, we act as your hub for all specialist activities needed for franchising. We do most of the initial work ourselves but where specialists are needed we can use our tried and tested team of collaborators. That means all you need to do to find any service you need is to ask us.

Secondly, we help you to look at how you currently spend your time and where some of what you do now can be delegated to others, so you free up time to spend on growing your business rather than working in it.

Finally, we can help you look at how to grow the current revenue of your business so that if need be you can pay for additional help.

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## Setting the wrong scope for the franchise outlet

You need to get the right split between franchisor and franchisee, so you can be sure that each party is extracting the maximum profit from the business.

If the scope is wrong you can introduce inefficiencies or worse, endanger your intellectual property. At Replico we help you work out what the split should be before you start.

## Getting the franchisee proposition wrong

Buying into a franchise is about much more than money. Getting the franchisee proposition wrong can mean that you spend a lot of time, effort and cash looking for the wrong kind of person in the wrong place only to filter them out of your selection process.

At Replico we've developed alternative approaches to marketing your franchise and recruiting franchisees that mean that you can find more of the right kind of franchisee for the same money as traditional methods.

We help you to ensure you've put together the right package to attract the people best suited to run your franchise outlets and we help you design the process you'll need to run to get these people signed up as franchisees. We also produce training materials and manuals that mean that once signed up, your franchisees will run successfully too.

## Leaving out key aspects of franchisee training

Unless your franchisee training covers everything the franchisee needs to know for every aspect of running the franchise then they are likely to under-perform as a business. Under-performing franchisees will take up more of your time without giving you the revenue you expect. They are more likely to leave and they will never be a good advert for your franchise. So under-performing franchisees can seriously hamper the growth of your franchise.

Technical and product training, however detailed, doesn't make a good franchisee. They also need to learn how to market and sell effectively and to really understand where the profits are in the business. Recruiting highly-skilled sales people as franchisees without telling them how to deliver effectively and consistently won't work either. Franchisees need to know how to do everything they need to do to run the franchise successfully – from putting the key in the door in the morning to locking up at night.

Conventional training methods or "on-the job" training won't deliver this. Most people learn very little by listening to presentations or training, and shadowing an existing franchisee only exposes trainee to whatever happens to occur during the shadowing period.

At Replico we use modern learning methods and techniques to put together a training programme that not only sticks, but instils a real sense of entrepreneurship in your franchisees and which is completed in just a few days. Our smart manuals are easy to learn from and to use, so your franchisees need less day-to-day support from you in order to operate successfully.

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## **Over documentation of some processes, under-documentation of others**

Traditional methods can lead to the production of over-detailed and bureaucratic definition of processes which are hard to maintain - especially in the early stages of a franchise, when they are most likely to change – and hard to use afterwards. The result can be a cumbersome set of manuals that no one wants to use and which quickly become out of date.

On the other hand many franchises do not specify and document key service processes enough. This results in inconsistent levels of service between outlets and can seriously undermine your whole brand and ultimately your market share.

At Replico, our innovative approach is based on the philosophy of supporting competent people with well-designed material that is easy to learn from and simple for your franchisees to use and for you to maintain.

We start by outlining your key processes in the early stages of your project. Then we use creative process design techniques to help you refine these designs into extraordinary processes that can be run by ordinary people.

Finally, we use accelerated learning techniques to ensure that your process designs and the philosophy behind them is fully internalised by franchisees and their staff. The result is that your clients get a consistent delivery of service wherever and whenever they buy.

## **Not paying enough attention to third parties you need to work with**

You can't always deliver everything yourself or through your franchisees. You may need to work with other parties to deliver your concept, so the proposition needs to be right for them too.

At Replico we make sure you've considered everyone you need to work with to make your franchise successful. We help you to do the analysis you need to ensure you've put together the right package to attract the right partners for your business and to outline the process you'll need to run to get them on board.

*For more information on how Replico can help you to start and grow a successful and well-respected franchise chain, contact us on 0845 5820 144, or email us at [info@replico.biz](mailto:info@replico.biz).*