

A photograph of a young woman with dark hair and bangs, smiling broadly. She is wearing a white t-shirt with dark blue horizontal stripes and a green apron. She is holding two brown paper bags with blue accents, possibly containing food or groceries. The background is a bright, possibly indoor setting.

BUSINESS & COMMERCIAL

# Franchising your business

How we can help you grow



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# An introduction to franchising

## How it works

### Business Format Franchising

Business Format Franchising is where a licence is awarded by the business owner (franchisor) to another individual or company (franchisee). This entitles the franchisee to set up and operate their own business using the trademark, name, know-how and business systems of the business owner. You should consider franchising only if you can prove a suitable business opportunity with a successful track record.

We hold Affiliate Membership with the BFA, which is the UK's first and largest franchise trade association. For over 40 years, the BFA has been a trusted voice for the franchise community in the UK, Europe, and beyond.

[www.thebfa.org](http://www.thebfa.org)

An introduction  
to franchising

## Advantages



- Franchising is a proven model for various businesses across many industries.
- Franchisees often show more motivation than employees because they directly benefit from business growth and profitability.
- Franchisees will usually outperform managers as they have a personal financial investment in the business.
- Business networks can expand more rapidly using the franchisees capital.
- You avoid the operational issues and costs of running outlets; the franchisee handles these.
- Franchisee investors like reliable businesses, especially when they get initial training and support.
- The collective buying power of an established franchise benefits the entire network.

## Disadvantages



- Upfront costs and considerable amount of time to set up your franchise. Return on investment can take several years.
- You earn revenue from a share of the franchisee's sales, which takes time to grow.
- Selecting suitable franchisees can prove challenging.
- Poor service from a rogue franchisee can harm the franchise brand and network.
- Enforcement of a serious breach of the legal agreement can be time-consuming and very costly.
- Monitoring the network's performance needs significant time and effort.

# Our support for you

## Developing a franchise

Franchising could be a great way to grow your business, but it's a significant decision.

We're here to help you decide if franchising is right for you and explore other options.

Building a franchise model takes time, prep and some upfront cash before you can start bringing in franchisees.

Our team will help you with your plans and create a package to support potential franchisees to join your network.

## How to develop and grow a franchise

We've teamed up with the British Franchise Association (BFA) to create an online programme for business owners interested in franchising.

To be a successful franchise, it's important to understand franchising's benefits and pitfalls. So, this program helps you decide if franchising is right for your business, and covers:

- Legalities – confidentiality deposits and the franchise agreement.
- Business planning, financials and banking relations.
- Franchise case studies.

**Our support for you**



Follow this link to the BFA website to complete your Prospectus Franchisor Certificate.

# Our support for you

(Continued)

## Taking payments and reporting

As part of your franchise support package, consider offering Lloyds payment solutions.

Lloyds Merchant Services offers a secure and reliable way for franchisees to accept card payments – online, in person, and over the phone. Our range of card readers, payment terminals and POS systems can be tailored to business needs – streamlining operations and improving customer experience.

With Lloyds Merchant Services, businesses have access to:

- Clear pricing – Transparent pricing so you'll fully understand our charges.
- Specialist UK support – Calls answered on average within 32 seconds Mon to Sat, 8am – 9pm.
- Leading reliability\* – 99.999% uptime, keeping transactions on track.
- Safe and secure – Secure data processing and fully PCI compliant devices.
- Next day settlement – Payments are typically received by 6pm on the next working day\*\*.
- Easy reporting – so you can view sales in real-time.

\* Based on 2024 data.

\*\* Some solutions may charge a small fee.

Find out more: [lloydsbank.com/takepayments](https://lloydsbank.com/takepayments)



Our support for you

# Is franchising right for you?



## What it takes to succeed

Franchising needs significant time and money. Attempting it without expert guidance is risky. Careful planning is essential to avoid pitfalls.

## Becoming a franchisor

You'll provide support and motivation to your network. As a result you'll benefit from the success of your franchisees through a share of their income. Stay ahead of the game by constantly researching and developing your products and services. Testing new developments before release to the network is advisable.

At first, you'll manage many roles: running your business and being a franchisor responsible for training, support, development, motivation, monitoring, marketing, social media and recruitment. As your network grows, your team will take over some of these tasks.

Not everything will be plain-sailing. You can expect to manage under performance, disputes and even terminating franchisees that seriously breach the terms of the legal agreement.

You'll need resilience, commitment, determination and lots of energy to stay positive through these challenges. If you doubt your ability to handle this, franchising might not be for you.

Is franchising right  
for you?

# Is franchising right for you?

(Continued)

## Ask yourself these questions

- Are your goals realistic and achievable? Can you better achieve them through other methods such as organic growth, licensing, agencies or distribution?
- Do you have the patience, tenacity and self-discipline to succeed?
- Is it the optimum time to start your franchising journey?
- Do you have enough capital to develop your franchise model?
- Can you develop and maintain good relationships with several different personalities?
- Are you ready to sacrifice some of your independence by working with franchisees?
- Does your franchise need a unique brand with protected intellectual property? Franchisees expect you to act if competitors copy it or nearby franchisees harm its reputation.
- Do you have a distinctive brand, competitive advantages and robust operating systems to attract prospective franchisees?
- Can you agree to training and supporting your franchisee network so they can develop and grow?
- Are you up for the challenge?

## Points to consider



You and the franchisee rely on each other to build a successful network and earn profits.



Recruiting quality franchisees is challenging, so make sure you have a budget to promote it.



Building a franchise brand needs time and capital before seeing significant returns.



Seek expert advice from professionals with franchising experience, preferably those affiliated to the BFA.



Complete the Prospect Franchisor Certificate educational programme.



Talk to us, as we can offer you and your franchisees invaluable guidance and support.

Is franchising right for you?

# Building a winning franchise

## The foundations of success



### Brand

Your franchise needs a unique brand with protected intellectual property. Franchisees expect you to act if a competitor copies the brand or if nearby franchisees harm its reputation.



### Support

Guidance, training and support attract potential franchisees, especially those new to business. They need more help early on and expect continuous support. If they don't feel supported, they might begrudge paying fees.

**Building a winning franchise**



### System

Franchisees should follow your proven systems, generally tested for at least 12 months. The system should be easy to duplicate with proper training and support. Piloting helps refine the model. Provide an operations manual detailing your know-how and franchisee duties.



### Agreement

The legal agreement and operations manual protect the brand and network. It should favour the franchisor but be fair and enforceable. All franchisees should have the same terms, and the agreement should be non-negotiable, drafted by a franchising expert, preferably affiliated with the BFA.

# Costs of developing a franchise

## Setting up

Developing a franchise model is bespoke to each business. As a result, costs vary depending on the complexity and the professional support needed.

To reach a stage where the franchise is ready to launch may cost up to £50,000. You'll also need a marketing budget of at least £1,000 per month to recruit potential franchisees.

It will take time to recruit franchisees and for them to generate enough income to cover your franchise operating costs.

Your business must be profitable to cover a franchise launch and running costs for several months or even years.

Lenders won't finance new franchisees' set up and working capital unless they see the opportunity as practical and properly established.

Get expert advice from reputable professionals before starting your franchise journey.

Our franchise team can give you contact details of BFA-affiliated consultants, accountants and solicitors who specialise in the franchise sector.

There are several tasks to complete before you'll be ready to start recruiting franchisees. They may include the following:

- Research and business planning.
- Brand protection – trademarks, copyright.
- Launching a pilot operation.
- Sourcing initial stock and equipment.
- Franchise consultancy.
- Legal documentation – confidentiality, deposit and franchise agreements.
- Operation and training manuals.
- Training programme.
- Support structure.
- Payment processing solutions.
- Franchising website.
- Social media.
- Marketing documents.
- Franchisee recruitment costs – exhibitions, adverts, referrals.
- BFA membership.

Costs of developing a franchise



# Costs of developing a franchise

(Continued)

## Growth

Getting new franchisees can be tough and pricey. You'll need to put together a franchise prospectus and website to attract investors. Promote using franchise websites, social media, exhibitions, trade magazines, local press and recruitment agents.

Follow up on initial enquiries, eliminate unsuitable candidates, and conduct interviews. Include this time-consuming process in your budget.

Your franchise's success depends on recruiting quality individuals. They may not need industry experience but should have transferable skills and comprehensive training. Don't compromise on high-quality franchisees to meet growth goals.

## Income

The initial franchise licence fee covers your recruitment and training costs but shouldn't be a major profit line.

Your profitability comes from management fees and mark-ups on goods and services.

Include a marketing fee in the agreement to make sure the franchisee contributes to national advertising. Track these funds separately from other fees and clearly explain to your franchisee network how you spend them.

Set fees with a BFA-affiliated adviser to make sure your revenue covers training costs, provides profit, and allows franchisees to earn a decent income.

**Costs of developing  
a franchise**

# Professional advice

## Franchising expertise

Research thoroughly to determine if franchising is feasible and aligns with your business goals before making a decision.

Seek support from a reputable BFA-affiliated franchise consultant with proven sector knowledge.

Attempting to franchise on a budget without the guidance of certified franchise experts is likely to result in failure.

In collaboration with the BFA, we have developed online educational programmes for both franchisors and franchisees providing expert guidance. These free programmes are invaluable for understanding your franchising journey and that of potential franchisees.

You can find a list of skilled franchise professionals on the **BFA's website**. This list includes consultants, accountants and solicitors. Contact us for more guidance.

## Financial expertise

Our wider Lloyds team can support you with other financial services relevant to your franchising opportunities.

For example, integrating Lloyds Merchant Services payment systems into your franchise model to support franchisees with secure, scalable payment solutions; including card acceptance and reporting.

To find out more visit

[lloydsbank.com/takepayments](http://lloydsbank.com/takepayments)



Professional advice

## I want to franchise my business

-  Visit [lloydsbank.com/franchising](https://lloydsbank.com/franchising)
-  Call your relationship manager
-  Email [Franchising@lloydsbanking.com](mailto:Franchising@lloydsbanking.com)

## Business help and support

We aim to provide you with a high level of service. If you have a query our Help & Support pages can help: [lloydsbank.com/business/help](https://lloydsbank.com/business/help)

**Please contact us if you would like this information in an alternative format such as braille, large print or audio.**

### Important information

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