

Franchising a Business Internationally

Fact Sheet

Building on local success – is your next move overseas?

Franchising is an excellent way to expand internationally. It is an affordable way of accelerating growth, achieving development goals more quickly and with far less risk. Franchising provides the widest entrepreneurial opportunities for you and your franchise partner overseas. The mutually beneficial relationship you build together makes this a unique way to do business internationally.

WHAT IS INTERNATIONAL FRANCHISING?

International franchising is literally being in business overseas but not by yourself. You expand overseas using overseas franchisees that provide in-depth local knowledge and on-the-spot assistance. They combine knowledge and resources with entrepreneurial drive and spirit to form a unique business relationship with you in your chosen market.

The principle is simple. Instead of exporting direct or selling through overseas agents you grant a license to others to sell your product or service. Your license entitles your overseas franchisee to trade under your trade mark/trade name and make use of an entire package from you, comprising all the elements necessary to establish the business overseas and to run it with continual assistance from you.

Overseas franchising offers clear advantages:

- It requires less investment so there is less risk.
- You get immediate access to loyal local support.
- Your tried and tested business ideas are used more widely.

INTERNATIONAL FRANCHISE MODELS

There are two main models when franchising internationally:

- 1) Master Franchise:
You appoint a single master franchisee for each country. The master franchisee will use their local knowledge to recruit, train and support unit franchisees within their country.
- 2) Unit Franchise
The franchisor will recruit, train and support unit franchisees in each country.

ROLES

As a franchisor your role is to concentrate on:

- Developing and constantly improving the franchise business concept so as to ensure the credibility, quality and reputation of the brand on the market.
- Constantly improving the "franchise package".
- Optimising management and sales skills through on-going training.
- Organising national or international marketing campaigns.
- Steering the business's overall development strategy.

The role of your master franchisee and unit franchisees is to concentrate on:

- Guaranteeing the customer the best possible service.
- Optimising the sales force and results.
- Respecting the principles and manner of operating of the franchise business.
- Upholding the common identity and reputation of the franchise network.
- Maintaining the confidentiality of the business know-how transferred.

WHAT ARE THE INCOME STREAMS?

The income streams are the same whether one uses a master franchisee or unit franchisee model. The key difference is that all the fees go to the franchisor when using a unit franchisee model, whereas with a master franchise model they are split between franchisor and master franchisee.

Fees paid to the franchisor:

- **Initial Franchise Fee**
(The fee payable to give an individual the right to be a franchisee)
- **Set-Up Fee**
(The fee payable for the Set-Up Package required for the operation of the franchisee)
- **Management Services Fee**
(Normally between 5% - 15% of Gross turnover/sales is paid to the franchisor as an ongoing management services fee / royalty)
- **Mark-up on Goods**
(Depending on the type of franchise the franchisor may insist that franchisees buy their stock only from them with a mark-up)
- **National Marketing Levy**
(Normally between 1% and 5% of Gross turnover/sales)
- **Training Fee**
(Sometimes the franchisor will charge for franchisee staff training and new product training.)
- **Legal Fees**
(Franchisors can charge any legal fees associated with granting the franchise)

NEXT STEPS?

For business owners exploring international franchising for the first time, Business Options provides an objective evaluation to help you determine initially if franchising is the right international expansion model for your business. If franchising is the right way forward for your business, Business Options can develop the franchise model and all the supporting systems, processes and material required to franchise your business internationally, either through a discounted total franchise package or individual component parts. For further information on the Business Options services contact Business Options on **01420 550890** or email **info@businessoptions.biz**