

## news release

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### **MOTIVATION AND EXPERIENCE ARE TOP CHARACTERISTICS FOR FRANCHISEES**

The ability to self motivate (68%) and experience of sales and marketing (24%) are the most important characteristics that franchisors seek in potential franchisees, according to the 2004 NatWest/British Franchise Association survey.

Work and life experience is very important to franchisors when recruiting new franchisees. Nearly two thirds of franchisees were in salaried employment immediately before taking out their current franchise, 29% were self-employed outside franchising and just 2% were self-employed with another franchise. Of the new recruits coming into franchising for the first time, only 12% had previously been unemployed or made redundant.

What's more, almost all franchisors are no longer specifying a particular gender (93%) or age range (91%) when looking for suitable candidates to run a franchise. Nevertheless, the survey also shows that only 28% of franchisees are under the age of 40, compared with over 50% back in 1992 and that just less than a third of new franchisees report to be women.

As for making their final franchise selection, 20% of franchisees opt for a well-known brand; 18% have an interest in the particular field of activity; 16% look at affordability; 7% opt for a BFA member; 7% look at the success of existing franchises; 3% consider growth potential and 3% simply liked the representative that they met from the franchise.

Before getting involved in franchising, new franchisees carried out a huge amount of research, from newspapers (25%), magazines (19%) and exhibitions (10%). Nearly a quarter also referred to general franchise websites for information. There has also been a 13% increase in the proportion of people seeking advice from their bank, to 81% from 68%.

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Mark Scott, National Franchise Manager at NatWest, said: “The fact that 95% of franchisors are profitable shows the immense contribution that the sector makes to the UK economy. New franchisees are clearly doing their research and asking the right questions when deciding whether to choose franchising. If a franchisee has the right levels of self motivation and drive, franchising can be one of the safest and most sustainable routes to running your own business.”

Sir Bernard Ingham, President of the BFA, said: “One major fact to come from the 20<sup>th</sup> Annual BFA/NatWest survey is, despite the tough economic climate, 95% of franchisees are profitable. This figure has risen from 91% since the 2003 survey and shows how important franchising is as a business sector in the UK.

“As a major employer, with an estimated 330,000 people earning their living in the sector, franchisors and franchisees alike are very optimistic about the future of their businesses. In the next 12 months, 90% of franchisors and 69% of franchisees expect their businesses to improve. These figures show franchising is growing as an industry – a fact backed up by an increase of almost 2% in turnover to a record high £9.65 billion.”

#### **NOTES TO EDITORS:**

- This is the 20<sup>th</sup> annual survey conducted on behalf of the British Franchise Association (BFA) and sponsored by NatWest. Copies of the survey are available from the BFA, Thames View, Newtown Road, Henley-on-Thames, Oxon RG9 1HG, telephone 01491 578050 or visit the website – [www.british-franchise.org.uk](http://www.british-franchise.org.uk)
- The British Franchise Association (BFA) is the *only* voluntary accreditation body for franchising in the UK. Its remit is to develop and continuously improve the standards of good practice in franchising and to accredit franchisors who meet these standards. The BFA now represents some 240 UK franchise brands each vetted against a strict code of business practice.

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## NATWEST FRANCHISING CHECKLIST

1. Take a critical look at your strengths and weaknesses – are you sure you have the capacity, temperament and skills to run your own business? Marketing and selling skills are becoming more important in running a franchise.
2. Make sure you have the full support of your family – the additional responsibilities and demands on your time will inevitably cause some strain.
3. Choose some existing franchisees to talk to – don't just speak to those recommended by the franchisor – and ask how their business is performing and what support and service is being provided by the franchisor.
4. For new franchisors, check they have run a pilot, how long did it operate, is it still trading and what has it achieved in financial terms? If no pilot was operated, how does the franchisor know the franchise and therefore will you be successful?
5. Examine how well known the franchise and its service/product are. A good reputation is a head start in business.
6. Look at the market as a whole – find out who your competitors are and how strong their position is.
7. Examine costs closely, in particular the franchise fee and monthly management fee, and whether they are reasonable and value for money; will the margins be sufficient to support the business after payment of regular fees to the franchisor? As a guide, the average franchise fee is £20,000, although this is skewed in view of a small percentage of higher figures. Ongoing fees average 11.4%.
8. Is the training provided by the franchisor sufficient to enable you to run the business successfully?
9. Seek professional advice from an accountant about income and profit projections and from a solicitor about the legal agreement. Both should have a good understanding of franchising and preferably be affiliated to the British Franchise Association.
10. Talk to the NatWest Franchise section about the financial aspects of running a franchise and ask them to put you in touch with your nearest area franchise manager. You should also contact the British Franchise Association, Thames View, Newtown Road, Henley-on-Thames, Oxon RG9 1HG, telephone 01491 578050.

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