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# FRANCHISING & SME'S

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A step by step guide helping franchisees and franchisors in the world of franchising. With helpful steps that can be used as well as pros and cons from both sides when owning a franchise.

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**FINTECH AND  
FRANCHISING**

Fintech is revolutionising the way we do business and is greatly benefitting Franchisors by saving them time and money. Cloud accounting solutions are giving franchisors the power to manage all of their franchisees in one cloud database.



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# IS FRANCHISING FOR YOU?

Franchises are becoming extremely popular in the world of business and majority of businesses you come across are likely to be franchise owned.



**A** franchise simply is an agreement between two parties which allows the franchisee to market the product or service using the trademark and operating methods of the franchisor.

Many businesses are adopting franchising as their growth model and you will need to spend time getting to know the franchise industry and the opportunities to find out which approach is best for you. Franchising allows you to start up and run your own business without having to start from scratch. A good franchise will give you a proven business format with continuing support as well as guidance on

financial planning relating to pensions and what a franchise should do if illness occurs and you need cover. Business format franchising will provide you with a robust business model. Your franchise will work under the brand established by your franchisor and use the business system already in place within the marketplace.

You will also need to pay an initial fee to set up the franchise which allows you to use the brand that is established. You will also have to pay continuing fees for ongoing support that will help you to operate and build the franchise.

You will gradually build a capital asset that you can then sell. Comprehensive

research needs to be one of the first steps taken within the journey to owning a franchise.

When franchising does go wrong, it is mainly because the franchisor and the franchisee have not taken the correct measures to make sure the match is exactly what they are both looking for. By not rushing your research and taking your time can be an easy way for you to have a successful running franchise.

If you want to go into franchising being fully informed about it and know how to own and operate a business successfully, a good place to start is by taking the **bfa's Prospect Franchisee Certificate**.

# More than 50% of Franchises now claim an annual turnover of over

# £250,000

## ADVANTAGES OF FRANCHISING

•**Less Risk:** There is less risk owning a franchise, as it reduces the risk of business failure. This is due to the business already been tried and tested in the marketplace. Only 7% of franchise owners fail within the first three years compared to over 90% of new business start-ups.

•**Competitive Edge:** Franchising allows you to consider yourself as a small business owner yet you are competing with big businesses and a franchisee can take advantage of economies of scale.

## DISADVANTAGES OF FRANCHISING

• **Lack of Independence:** With the business already being defined with strict agreements on how to run the business, not everyone would be happy to run a business like this.

If you are buying a licensed franchise you will have little freedom to do your own thing and majority of the time the same rules apply to everyone and the business is laid down in manuals.

•**Training and Support Available:** With the help of the franchisor guiding you through the business start-up, you will receive training from the franchisor to help you learn how to start up a business within a short period of time. As a franchisee, you will have the benefit of management experience of the franchisor.

•**No Experience is Needed:** You do not need any previous experience in business to start up a franchise as all of the training and information needed is provided by the franchisor. Because the franchise will already be well known in the market with a recognised name, the franchisee will go straight into operating the business.

•**Reputation:** The business will have a reputation on the market that you as a franchisee will have to meet the expectations of.

Each franchisee affects the reputation of the whole system depending on the performance therefore, any franchisee can harm the reputation of all the outlets in the chain even international chains.

## JOIN THE BFA

### Membership of the bfa is open to:

- Franchisors and professional advisors to the franchise industry that can fully satisfy the bfa's accreditation criteria.
- Franchisees of accredited franchisor brands.
- Suppliers providing valuable services to the franchising industry.

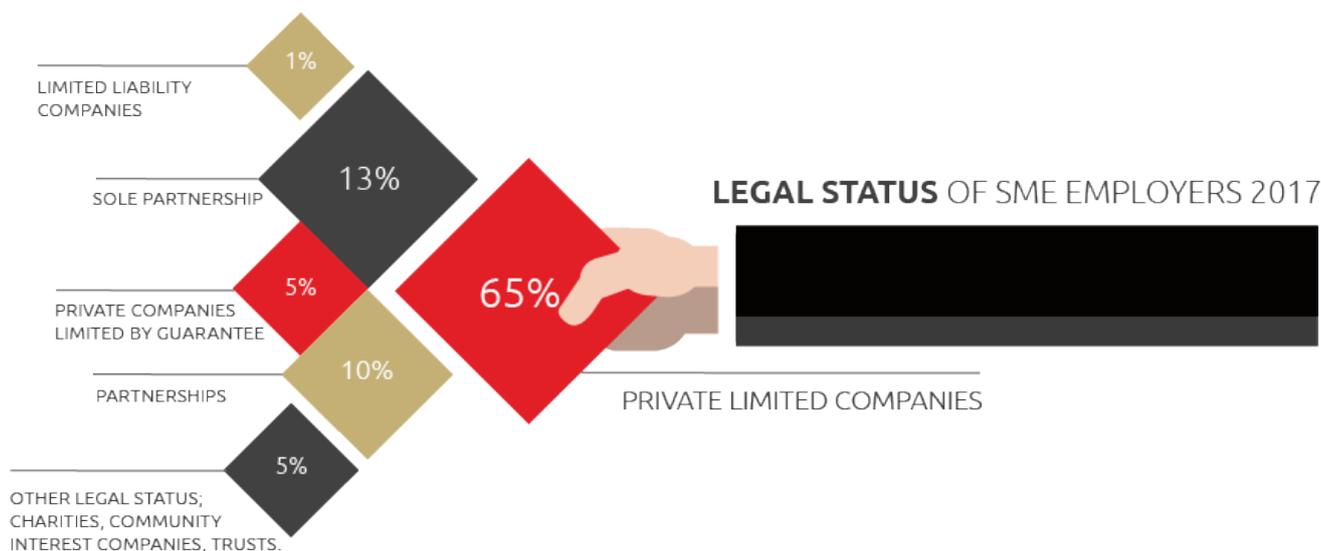
In addition to the credibility that membership brings, there are also many other benefits of membership, such as:

- Network at bfa events
- Attend bfa training courses and educational seminars.
- Participate in, or be associated with, many of the bfa's activities and promotions.
- Take advantage of the considerable influence the bfa exerts at home and abroad.
- Undoubtedly, the major benefit is the credibility and recognition that come with accreditation which is the unique differentiator in franchising.

For more information visit:  
<https://www.thebfa.org/>

# THINKING OF STARTING A NEW BUSINESS?

The fundamental first thought when starting up a business is the decision on how to structure your business. This all depends on your personal situation and your future plans. The decision you make will have an effect on the way you are taxed and your exposure to creditors.



## THERE ARE THREE STRUCTURES TO CONSIDER:

### SOLE PARTNERSHIP

This is when you run your own business as an individual and classed as self-employed. This also means you can keep all your business's profits after you have paid tax as well as, being personally responsible for any losses your business makes. You need to register as a Sole Trader you need to have earned more than £1,000 from self-employment between 6th April 2017 and 5th April 2018.

If you need to prove you're self-employed for example, to claim Tax Free Childcare. Also, if you want to make voluntary Class 2 National Insurance payments to help you qualify for benefits.

If you are a sole trader you have certain responsibilities that you need to do oblige to:

- Keep records of your business's sales and expenses.
- Send a Self Assessment Tax Return every year.
- Pay Income Tax on your profits and Class 2 and Class 4 National Insurance which you can use HRMC's Tax Calculator to help you budget for this.
- Sole Trader businesses can not include 'Limited', 'Ltd', 'Limited Liability Partnership', 'Public Limited Company' or 'PLC'.

**If you are a sole trade, you have no one to share the responsibility of running the business with. Developing the business is also limited by the amount of capital personally available. There is also the risk of unlimited liability, where the sole trader can be forced to sell personal assets to cover any business debts.**

## LIMITED COMPANY

A limited company is a business that is structured by incorporating Companies House as a legal 'person'. This type of business is completely separate from its owners and can enter into contracts in its own name and is responsible for its own actions, finances and liabilities.

As a director of a limited company you need to follow the company's rules and must:

- Keep the company records and any report changes.
- File any accounts and your Company Tax Return.
- Pay Corporation Tax.
- Tell all shareholders if you might personally benefit from a transaction that the company makes.
- Register for Self Assessment and send a personal Self Assessment tax return every year. (You do not need to register for a Self Assessment or send a tax return if you are a non-profit organisation).

### Advantages of a Limited Company

**Limited Liability:** Being a Limited Company allows you to have financial security and the company's shareholders will

only be liable for any debt the company has according to the levels of their own investment.

**Tax Advantages:** Limited Companies are only taxed on their profits and do not get taxed the higher personal tax rates places on sole traders or partnerships.

**Employee Shareholders:** Employees can purchase shares and become shareholders of the company. Employees will have an interest in seeing the business succeed as well as having a say in how it is run.

**Ownership and Control:** In majority of circumstances the directors are usually the main shareholders therefore both ownership and control is in their hands.

### Disadvantages of a Limited Company:

**Cost:** Majority of people believe that a Limited Company is expensive to set up however this is not true. Some can be set up for free.

**Complex:** There are more complex and restrictive rule formed by the government when doing accounts and bookkeeping compared to being a sole trader. Being a Limited Company, you are expected to produced years accounts.

**Restricted Capital Raising:** There is a restriction on raising of capital via sales of shares.

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Small businesses accounted for **99.3%** of all *private sector businesses* at the start of 2017 and **99.9%** were *small or medium-sized (SMEs)*.

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## LIMITED LIABILITY PARTNERSHIP:

This legal structure is typically used for all business sizes that sit between a traditional partnership and a limited company. To set up a limited partnership you must have one general partner and one limited partner. The difference between the two is that they will have different responsibilities within the business and different levels of liability for any debts that the business can't pay.

### Advantages of a Limited Partnership:

**Tax Benefits:** A Limited Partnership is different to other legal structure as the partners within the business get to share the profit and losses but they do not have to participate in the business itself.

**Liability Limits:** The partner's liability for the partnership's debt is only limited to the amount of money or property that individual partner contributed to the partnership.

**No Turnover Issues:** The Limited Partners can be replaced or reave with the limited partnership being over.

### Disadvantages of a Limited Partnership:

**Risk to General Partners:** Within a limited partnership, the general partners carry the burden of all the business's debts and obligations. In the unlikely circumstances that the business is sued or enters into debt, the general partners are responsible.

**Compliance Challenges:** A general partnership requires less paperwork than a corporation. However, because you have limited partners you still need to hold annual meetings and create detailed agreements.

# FINTECH & FRANCHISING

**Fintech which stands for financial technology is revolutionising today's world of business. The term refers to any development in the way people do their finances or business. Fintech can be defined as any technological innovation in financial services, developing new technologies to disrupt traditional financial markets.**



The Fintech industry is rapidly growing with the major uses of the technology being banks. However, the active users are start-ups and traditional finance companies. The growth of computing power, capacity and availability has revolutionised the financial world.

Traditional methods of financial provision are being challenged by tech-based alternatives as money transfers, loans and asset management can be completed with a click of a button saving users time, hassle and money.

Traditional financial business models have taken a steep decline in the wake of Fintech's success. High street banking is no longer the only option; why pay 5-7% in fees to transfer money abroad when a few clicks on a money transfer app, you can pay just 0.5% in fees?

Fintech has benefitted Franchisors as network accountants can offer franchisors clarity in a way that never before would have been manageable through cloud accounting solutions. It gives franchisors clear visibility by having all franchisees and their businesses on a common cloud accounting system that allows franchisors to track performance and identify any gaps in a 'dashboard' form.

It can be time consuming for a franchisor to look at each franchisee which is why Fintech gives them an easy alternative.

Security and speed is vital for electronic payment processing, whether online or in store card payments and developments in this area are rapidly advancing with fintech start-ups. This is allowing small businesses to take card payments through their smartphone, making a measurable difference to the bottom line for many SMEs.

Cloud accounting takes care of the day to day business accounts and reduces the amount of administrative work needed, giving business owners more time to actually run

their business. Many franchisees are bound by the franchise agreement to use the systems and mechanisms determined by their franchisor. However, it is important to remain open and aware of opportunities and innovations that can benefit your business.

At the heart of the fintech revolution is big data – the harvesting of insights from vast quantities of data that is redefining almost every industry and sector in our economy.

As our digitalised economy becomes increasingly underpinned by information and data, the role of data analytics is only set to grow; it is imperative therefore that SMEs embrace these big data opportunities - or else face being left behind, both at home and abroad.

**The UK is the fastest growing region for fintech in the world, with fintech bringing in £20b to the economy each year.**

Fintech will continue to grow and change many of the established, outdated financial systems that are currently in place, and will ensure that there is always a more modern-day solution to financial problems.

# SUBWAY'S PLANS FOR NEW STORES

Subway have announced plans for 35 new stores across Kent and Surrey. It plans to increase their 92 stores to over 125 by the end of 2020. Subway plan on opening 15 stores this year and a further 20 in the next two years. The company also states that its franchisees currently employ over 900 people across the region and with the new stores opening, it will create a further 350 employment opportunities.

## Hermina Haque, the regional development agent states:

"Many of our franchisees start out with little or no experience in the food industry, but all possess a strong work ethic and a passion for the brand and its products. 70% of new stores established are by existing franchisees, demonstrating how rewarding it is".

"We believe there is still plenty of room to grow the Subway brand in Kent and Surrey with great locations available. To succeed, we need the right people, with the right blend of team work, leadership and work ethic to become new franchisees and help us to deliver our ambitious growth target".

Subway have also had a fresh new store décor the past year, offering their customers an enhanced brand experience with 'customer-focused touches' such as digital menu boards, free charging ports and special displays for its bread, cookies and vegetables that are freshly made and

delivered in store daily.

The first two Fresh Forward Subway stores have opened in Kent in Queenborough and Maidstone; with further new format stores scheduled as part of its regional development plans.

Subway have also stated that they want to increase its total number of stores across the UK and Ireland to 3,000 by 2020 which will create employment for around 5,000 people.



Do you want to become a Subway franchisee and become your own boss? With thousands of stores located across the UK you can own your own Subway.

**For more information, visit: <https://subwayfranchising.com/en-gb/>**

# SETTING UP A BUSINESS PLAN

**Before a business is formed the first thing you need to do is create a business plan.**

A business plan is fundamental as it first of all describes your business and covers the objectives, strategies, sales, marketing and financial forecasts. A business plan helps you clarify what your business idea is and by writing a business plan, it will help identify any problems within your business idea. A good structured business plan will help you convince customers, suppliers and potential employees to support you.



## **The key features that should be mentioned in a business plan are:**

### **1. Executive Summary**

This is short summary of your business plan including all the important information about your business. This is the opening of your business plan therefore it needs to entice readers to continue reading your business plan and find out more about your business.

### **2. Business Description**

This is the part where you would explain what your business does as well as when it was formed and your mission statement. A good statement to make within this section is why you started the business, will it make a difference in society? Was there a gap in the market?

### **Other important elements to include in this section are:**

- Business model
- Any business relationships
- Location
- Who are the principals?
- What is the legal structure?
- What are the market opportunities?
- What is your projected growth?

### **3. Market Analysis**

This is where you would analyse your competition in the market, this will tell people where you fit in the market. The main elements you need to include in this section is; who your target market is, profile of your typical customers and if available include testimonials. In addition to this, it would also be a good place to state what the current trends are within the market you are entering or any gaps what you are trying to fill.

### **4. Organisation Management**

Within this section, you need to show people that you have an effective organisation structure. In some circumstances, a structured management team can matter more than your product or idea itself. It is extremely Important that you highlight each member's expertise and qualifications as this will impress.

### **5. Sale Strategies**

This is where you will state how you will raise money and make a profit with your business. You will need to explain your pricing strategy and relationship between your price point and everything else within your business. Including your promotional strategies that you are using now is beneficial alongside the list of strategies you would like to implement later on. In addition to this, you would include

promotional strategies that you would use to raise brand awareness such as social media, press releases, advertisement, etc. relating to marketing, you should also include your web developments and how you will increase your search engine optimisation. You need to show that you have a plan on how to increase your brand following.

### **6. Funding Requirements**

This is where you state how much money you require for your business to succeed. You need to be clear and realistic therefore try and not give an exact figure unless you can; it is fine to use multiple figures. A timeline can be beneficial indicating when the funds are needed and may change.

### **7. Financial Projections**

The final section of your business plan should include your financial projections. Make sure you also summarise the rest of your business plan and express your hopes to secure funds for expansion of your business. You need to use your information and knowledge about what is happening now with your business as well as your sale strategies and financial requirements needed.

# MAJOR OBSTACLES TO THE SUCCESS OF THE

**Starting a business does not sound easy but many people do not consider the obvious obstacles that can affect the success of their business. One way of overcoming some obstacles along the way is having a success business plan in place as well as not getting to ahead of yourself.**

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## **Your business Environment**

One main obstacle is not having enough awareness of your competition. Knowing your business's environment is key and It shows potential investors that you know your research.

## **Weak Brand Identity**

The first thing anyone notices is your brand and how you portray yourself and it is essential that customers recognise you instantly through your branding. As a successful business, you need you have a cohesive brand identity and a strong logo.

## **Insufficient Funds**

When starting a business, you need to plan to have at least two years of solid funding that will cover any problems arising along the way or unexpected costs.

## **Unprotected Assets**

Many businesses need to have intellectual property rights which some businesses do not have. Also, if your assets are not covered other businesses or people can steal your ideas, product or service and that could potential end your business.

## **Psychological Barriers**

Setting up a business might seem like the best idea at the time however, if you're not in the right state of mind the idea can become too complicated and difficult to

manage. Many new business starters are too afraid of failing and that can be an issue as you then don't push yourself for success or try new ideas outside the box. Instead, your business does not take off at all.

## **Negative Feedbacks**

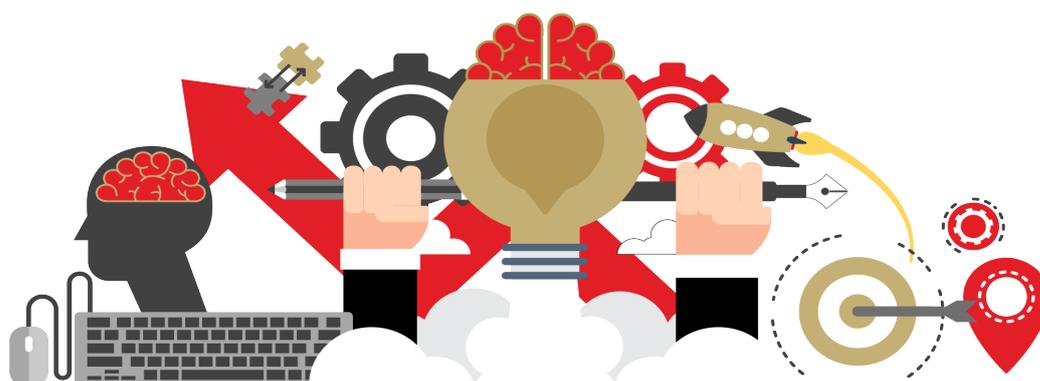
With every business, there can be drawbacks such as negative comments or reviews especially within the digital world we live in. A businesses reputation can be ruined by one negative comment. To succeed the technological advanced world today, the best option is to be honest with your customers or clients both online and face to face. Admitting you was wrong can be seen as a positive.

## **Monitoring Performance**

Having key performance indicators in place is essential for any business to perform well. Monitoring performance may seem complex however in the long run it will benefit you as a business as you can spot potential gaps and overcome issues that you identify.

## **Accepting Change**

In a fast-paced environment that we will live, change is always going to be an option. You have to be willing to change to adapt to the market environment. You need to always be prepared for change even if it is not a suitable option for you.





If you have any queries about the information in this brochure or need any more information, please don't hesitate to contact us, we are here to help.

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