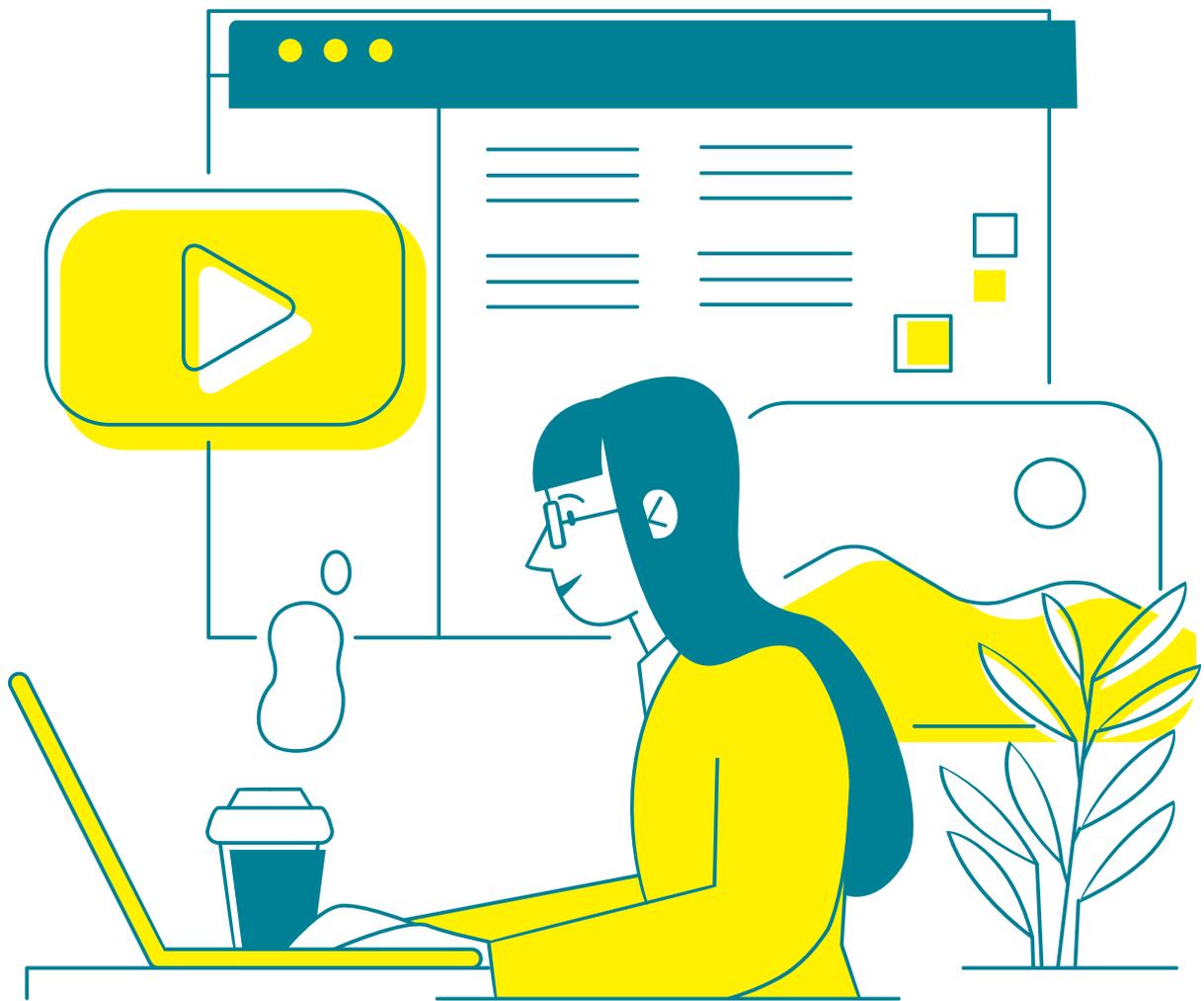


# Top Tips

when considering  
a franchise



# Welcome

Welcome. I'm Mike Parker, managing director at Minster Cleaning. We're a long-established management franchise. Our business in commercial cleaning started back in 1982 and we started franchising our business 10 years later in 1992. We have over 40 branches, turning over £45 million across our network. Half of our franchise partners are achieving sales of more than £1million and our top branches over £2million.

Our business is recession resistant. It is not recession proof, but it is very resistant to the peaks and troughs in our economy. We have large territories available and, within those territories, there is a good spread of demand across different sectors.

There are opportunities with Minster Cleaning for purchasing both new territories and existing branches (where perhaps our franchise partner is retiring and wanting to sell their business to someone else to carry on the good work they've been doing).

**Our business is all about people, whether it's managing a workforce of cleaners, people in the office or interaction with customers and prospects.**

So, who are we looking for? We're looking for people to join us who have good management and commercial experience. Most of all, they need to have strong people management skills. Our business is all about people, whether it's managing a workforce of cleaners, people in the office or interaction with customers and prospects. We also make sure that you've got adequate capital for the venture you're about to take on.

## **Top tips when considering a franchise**

If you're contemplating buying any franchise in the UK, I thought you might appreciate some pointers – here are my top 5 tips to help you find the right franchise for you.



# Top tip 1

## Ask awkward questions

You've got to be comfortable asking the franchisor of the franchise you're considering awkward questions. Ask them about any **previous franchise failures**. The chances are pretty high that they will have had them if they've been established for a period of time. You need to understand why they failed. Is it to do with lack of training or support from the franchisor? If it is, that's a warning sign. You need to understand precisely why those failures happened. It could be you in a few years' time so please do your 'homework'.

Ask awkward questions about the **franchise agreement**. You won't have access to this straight away because it will be dealt with through the purchaser's and the vendor's solicitors. However, one of the things you need to establish quickly is **where a franchisor stands on renewals**. I'm seeing more and more franchise agreements where renewals are offered for only a restricted number of times, typically twice. Ask yourself what's going to happen when you get to renewal. Do you really want one that's limited to two renewals? What do you do after that? I'm also seeing more and more significant **renewal fees** applied when you get to the end of the first agreement.



At Minster Cleaning, we do not charge renewal fees – there is only a nominal solicitor's fee to pay. Each franchise term is 5 years, with an **automatic right of renewal for an unlimited duration**.

Ask the franchisor about **other income streams**. What you're really looking for here is to make sure the franchisor's interests are totally aligned with your interests. So, at Minster Cleaning, after the initial investment, we only have one income stream from our franchise partners that's totally aligned to the sales in their businesses. A lot of other franchises have additional arrangements. For example, you may have to buy your products, equipment and/or vehicles from some franchisors. We don't do any of that. You can go out and choose whoever you like and buy from wherever you want, with support and guidance if needed.

# Top tip 1

Please exercise caution because if a franchisor ties you into those arrangements, they could be making a significant profit from them and therefore have less of an interest in your underlying trade. This may or may not be the case but what you're looking for is transparency and to understand who wins in that deal. If it means that you're benefitting from the network's buying power, that's great. If not, please tread carefully.

Another awkward question to ask is whether you are investing in a **business that is a valuable and saleable asset**. It may seem strange that I'm talking about selling a business

when you're contemplating buying one, but it could happen to you one day. You need to understand from the franchisor whether they have any existing branches for sale and, if so, the value of these businesses. What are the key performance indicators that influence the value? These indicators are where you should focus your attention for the next 5, 10, even 20 years or more that you might be running that franchise. You've got to make sure that you understand these drivers and how to increase the value of the business.



# Top tip 2

## Remember it's a 2-way process!

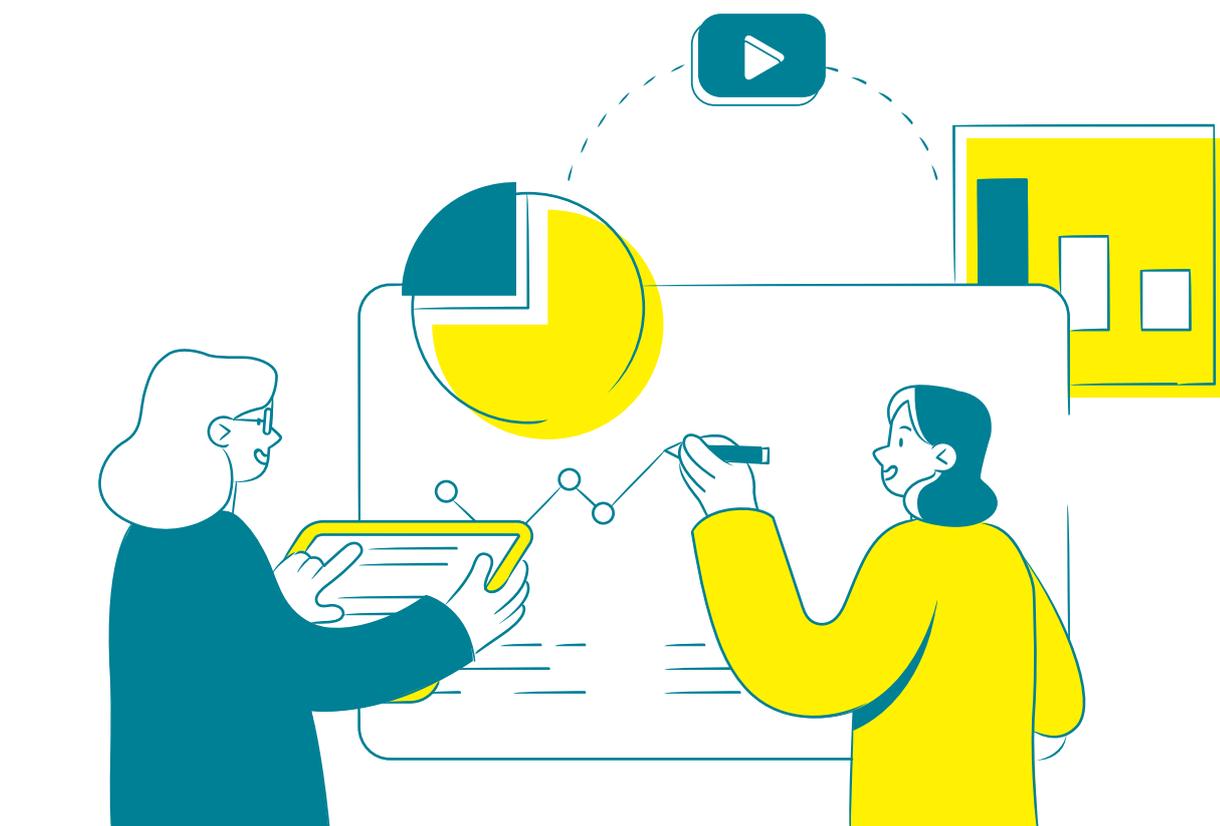
My second tip is to be fully aware that a **franchise purchase is a two-way process**. You will be evaluating which franchise to buy but equally franchisors will be evaluating you. Think about it. You and your chosen franchisor are going to be spending a lot of time together, possibly 20 years or more.

Just as you need to be very selective about who you partner with, I'm also very selective of who I bring into the business to partner with. Our reputation is on the line with each franchise partner that joins our network so

we want to make sure that we get that right. I therefore ask our prospects some tough questions and any other franchisor should be doing the same.

If you find a business that you think could be for you, but you are not questioned or challenged about your drivers, what you can do for the business or how you can succeed, be very careful. There are some businesses who are more interested in churning over their franchises and make more money from initial licence and territory fees than they do from ongoing royalties.

At Minster Cleaning, we are **totally focused on your trading success** as this is how we earn our income.



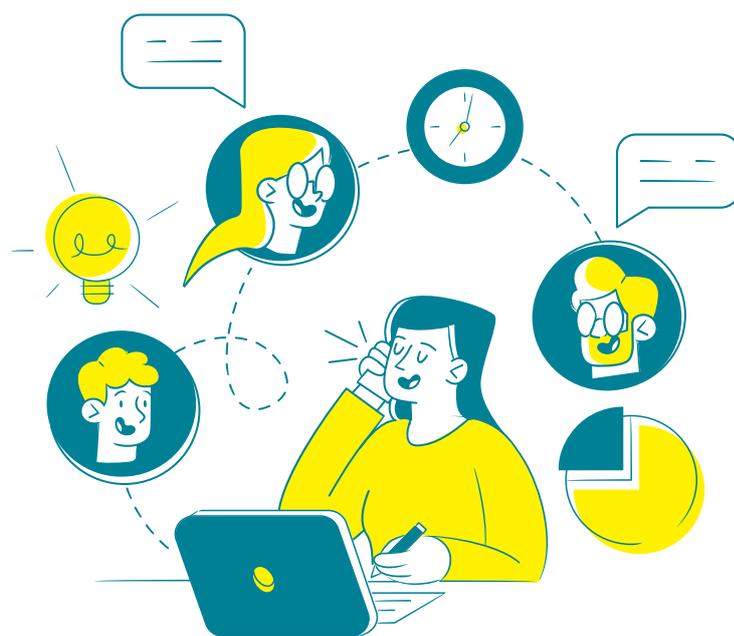
# Top tip 3

## Make sure you have access to the franchise partner network

It's important you have access to the franchise network before making your purchase decision. You need to make sure that you have permission from the franchisor to **speak to any franchise partner** across the network.

Ask for full contact details, phone numbers, emails etc. Be careful if you are only offered contact with two or three 'superstar' franchise partners – all franchise networks have these. Speak to as many people as possible. You need to get a **balanced view** by speaking with a cross section of franchise partners across the network – for example by different sizes of their businesses, different geographies and both newer and more established franchise partners. Make sure that you have plenty of time to do this really important part of due diligence because the people you will be speaking to may be you in a few months, five years, ten years or more.

You need to understand what their day-to-day life is like as a franchise partner, what they like about the franchise and what their key challenges are. Ask about the levels of collaboration across the network and how franchise partners communicate with each other. Find out about the meetings that the franchisor organises.



You also need access to the head office team. These are the people that will be supporting you going forward across the different business disciplines, whether that's marketing, operations, IT or finance and whatever else is relevant in the business you're looking at.

# Top tip 4

## Check their British Franchise Association (bfa) accreditation status

The British Franchise Association accredits franchisors like us. It's a **kitemark of quality for ethical franchisors**. If the franchise you are considering isn't a member of the bfa, ask them why.

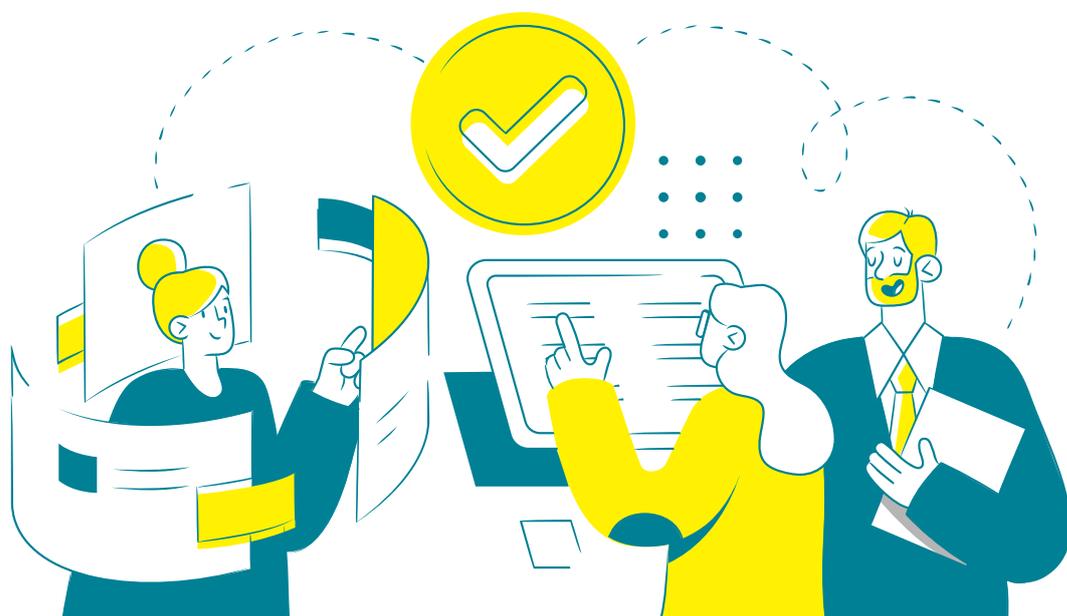
Those franchisors that, like ourselves, go through the process of initial accreditation and ongoing reaccreditation are transparent in their dealings with franchise partners as the bfa will contact them to assess levels of satisfaction and check that the franchisor is delivering the support that they need.

As a full member of the bfa, we follow a **code of ethics** which includes providing information that we are obliged to disclose to you. This covers information on any previous franchise

failures, our business and financial position and financial projections, key people involved in the business, our franchise proposition and franchise partner contact details.

It also includes due diligence requirements for any potential purchaser. For example, we state that you must have a bfa accredited solicitor to advise you. Why? Because it makes good sense that you get top quality, relevant advice from franchise industry experts.

We have a well-earned reputation as an ethical business in the franchising sector so, if we were to be doing something wrong, people in our industry would get to know about it quickly. A solicitor not accredited by the bfa would likely not have that knowledge. They may not find out if there's a problem.



# Top tip 5

## Prepare your business plan and be prepared to be questioned on it!

Preparing a business plan is key to your assessment of the business that you are considering purchasing. Challenge yourself as you write your business plan. It's a way of making sure you really do understand what you're embarking upon.

Be very careful if you decide to outsource the writing of your business plan as you will still need to **know the numbers**. Be prepared to be grilled and tested on what those numbers mean. If someone is projecting growth rates on your behalf, you need to fully understand the rationale behind them.

To help you, the franchisor should give you templated P & L accounts, cash flow forecasts, and allow you to use these in conjunction with your own data from your due diligence. They should also give you guidance, particularly if you are considering a start-up / greenfield purchase. Any data provided to you should be based on actuals.



Your plan should include implications for the business in terms of the resourcing of growth – cash flow etc. It should also consider what that's likely to mean for you in terms of your drawings from the business. You will be questioned on it by your potential franchisor and you may be questioned on it by other parties such as banks if you're looking for financial support to make your purchase happen.

# In summary

## Thorough due diligence is crucial!

I hope you find these top tips useful. It's so important that you choose a franchise that can best help you achieve your goals and aspirations. Please take the time you need to ensure that you have carried out your due diligence comprehensively. If you are interested in a Minster Cleaning franchise, we'd love to hear from you – please download a [brochure](#) and [application form](#) from our website.

Thank you

**Mike Parker**  
Managing Director  
Minster Cleaning

