

Franchise Suitability Matrix

Introduction

The success of a franchise opportunity is based upon its successfully meeting key criteria in five different business areas. These are:

- The business environment in which the client company operates – will its operating philosophy and experience allow it to develop a successful franchise operation?
- The products or services – are these suitable for franchising?
- Branding, Sales & Marketing – is the Brand sufficiently strong and is the approach sufficiently well developed to provide a worthwhile advantage to a franchisee?
- Finance – is the client's financial position strong enough to support a franchise network and is there enough profit to satisfy both parties?
- Administration – is the business system proven, robust and able to be learned by a franchisee?

This matrix has been developed to assist advisers in assessing if a business is suitable for franchising. Each of the questions is aimed at stimulating thought within the client's management team. The adviser must record the source of any evidence available that supports the answers given, especially where the questions relate to subjective opinions.

As with all tools it will not give all the answers, however, the scoring system has been designed to give a strong indication of whether the client business meets most of the key criteria. If the client scores over 70% and has no contra-indicators then franchising is well worth further exploration.

Adviser's Conclusion

Section	Score	Maximum
1. Business Environment		60
2. Products & Services		70
3. Branding, Sales & Marketing		60
4. Finance		60
5. Administration		50
Total		300
Client Percentage	%	

Final Notes and Comments:

1. Business Environment

Question	Evidence	Score
<p>1. Does the management team operate the business using a “hands-on” style relying on frequent “on-site” visits and personal contact? (Micro-management can stop a business franchising where the owners can't let go of the day to day operations)</p>		/10
<p>2. How would you assess the integrity of the management team?</p>		/5
<p>3. Explain to the client that franchising will mean a new business culture is needed. Their business will change to one of starting and supporting new businesses rather than what they do just now. Is the reaction positive?</p>		/5
<p>4. Is the existing management style patient & supportive? Consider evidence of Investors in People, staff appraisals systems etc.</p>		/5
<p>5. Does the business seem professional and well presented? Consider premises, sales literature, reception area and staff greeting/knowledge, cancelled/late meetings etc</p>		/5
<p>6. How long has the company been in business?</p> <p style="padding-left: 40px;">>10 years 10 points</p> <p style="padding-left: 40px;">5 to 10 years 8 points</p> <p style="padding-left: 40px;">2 to 5 years 5 points</p> <p style="padding-left: 40px;"><2 years 1 point</p>		/10

7. Does the client have the management capacity to allow one person to spend 50% of his/her time solely on franchising?		/5
8. What will stop the franchisee walking away from the franchise at the end of the initial franchise term? Is there a "hook" that will keep them dependent on the client? (e.g. product supply, research & development, telesales service etc)		/10
9. Are there already similar franchises on the market and can client compete? Is the proposed entry level cost acceptable?		/5
Score for Section		/60

Adviser's Notes and Comments:

2. Products or Service

Question	Evidence	Score
<p>1. Is the business operating in a highly volatile market with constantly changing products, prices or legislation? (If the market is transient this makes franchising difficult – stable product and market scores 10 points)</p>		/10
<p>2. Is there evidence of strong customer acceptance of the products/services? Consider the objectivity of any evidence given!</p>		/5
<p>3. Do the products/services have cross-regional appeal? Will the business work across the whole country or is it localised?</p>		/5
<p>4. Are the products/services “must buy” products with mass appeal within the business sector the client services? Niche or fashion products tend not to be readily franchised.</p>		/10
<p>5. How much training will the average person need to be able to sell the product or deliver the service? The longer the training period, the higher the return needs to be.</p>		/5
<p>6. Are any special qualifications needed to be able to deliver the service or sell the product? Consider legal issues.</p>		/5
<p>7. Are there any production capacity, supply or reliability concerns where products are involved?</p>		/5
<p>8. Are there any key personnel who, if they left the business, would cause a significant loss of expertise?</p>		/10

9. Is there an obvious commitment to research and development within the business?		/5
10. Is the company a one-product business? How old is the product and how strong is the competition?		/5
11. What is the company's quality record re returns, complaints and refunds?		/5
Score for Section		/70

Adviser's Notes and Comments:

3. Branding, Sales & Marketing

Question	Evidence	Score
1. Does the business have a unique marketing approach that is distinguishable and recognisable?		/10
2. Are the marketing methods proven and successful? Consider the company's marketing plan, market research and other documentation.		/5
3. Does the business have a distinctive look, name and logo? Are these registered and protected?		/5
4. Is there any other intellectual property that forms part of the business and is it protected?		/5
5. What is the business' reputation in it marketplace? Consider trade press articles, mystery shopping results, independent polls, opinion of advisors colleagues and contacts.		/5
6. Is the Brand presented consistently across all stationery, signs, vehicles, equipment? Franchising requires attention to detail – the client must desire the Brand to be delivered correctly.		/5
7. Are client prices competitive, particularly with major competitors? If they are not then the franchisee will not be able to compete successfully.		/10
8. Is there a standard, proven sales system that is seen to be successful? Is it easily learnt and transferred to the franchisee?		/5
9. Does client monitor the sales process? Ask about mail shot success rates, lead generation techniques, conversion rates, average sale value etc. This level of monitoring will be vital to the success of the franchise network.		/10

Score for Section		/60
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Adviser's Notes and Comments:

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4. Finance

Question	Evidence	Score
1. Does the business have up to date management accounts?		/5
2. Do the accounts show that the business has access to sufficient development capital to fund expansion? Note that it can cost between £50,000 and £100,000 to develop a franchise network.		/5
3. Are the managers financially skilled? Do they understand the financial information that they receive?		/5
4. Do the management accounts and the previous three years audited accounts show reasonable profits?		/10

5. Are the profit margins great enough to share between franchisee and the client company?		/10
6. Are the branch operating costs controllable by the franchisee? It is important that franchisees can control their own destiny.		/5
7. Has the client already run a pilot operation or do they have a multi-site business? This will help to establish the revenue and cost profiles.		/10
8. Can a franchisee earn more from operating the business than he/she would as an employee/manager in the same industry?		/5
9. Is the investment that a franchisee has to make reasonable in light of the potential returns they will make? e.g. rate of return > say 10%		/5
Score for Section		/60

Adviser's Notes and Comments:

5. Administration

Question	Evidence	Score
1. Does the business operate simple, non-time consuming administrative systems?		/5
2. Are the day-to-day processes documented in a procedures manual or staff induction programme?		/10
3. Has the business achieved ISO9001/2 status? Are they in process of achieving it?		/5
4. Has the business achieved Investors in People status? Are they in process of achieving it?		/5
5. Are the administrative procedures consistent and not often changed?		/5
6. Is there a clear system for communicating decisions and policies to operating staff?		/5
7. Is there a clear and communicated chain of command within the business?		/5
8. To what extent is Information Technology used within the business? (High degree of computerisation will score high points.)		/10
Score for Section		/50

Adviser's Notes and Comments: