



Franchise Preparation

Preparation For Franchising

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Content

- + Company Structure
- + Intellectual Property
- + Arriving At The Numbers
- + Insurance
- + Brand Identity
- + Employer To Franchisor
- + Suppliers
- + Recruitment
- + Head Office Support
- + The Marketing Mix
- + Expansion Models
- + Who We Are





Company Structure

The Foundation for Successful Franchising

When franchising your business, one of the most critical steps is establishing a robust and well-thought-out business structure. A carefully designed structure not only protects your valuable assets but also ensures smooth operations and legal compliance as your franchise grows. While it may sound complex, breaking it into manageable components makes it achievable and essential for long-term success. Here's a closer look at the key elements of a franchise structure, explained in simple terms:



The Holding Company

Think of the holding company as your business's safe deposit box. Its primary role is to own and protect the key assets that make your business unique, such as:

Intellectual Property (IP):

- Trademarks, brand logos, slogans, and other materials that define your brand identity.
- Copyrighted Materials: Operational manuals, marketing templates, or training programs created specifically for your franchise.
- Designs or Trade Secrets: Proprietary methods, recipes, or systems that give your business its edge.

Why it's important: +

By housing these assets in a non-trading entity, they are shielded from potential risks associated with disputes or litigation involving other parts of the business. For example, if a Franchise Partner takes legal action against the franchisor entity, your trademarks and IP remain protected in the holding company.



The Franchisor Entity

Think of the holding company as your business's safe deposit box. Its primary role is to own and protect the key assets that make your business unique, such as:



The Operating Company

Our existing business likely serves as your operating entity and will continue to do so in the early stages of franchising. It's the backbone of day-to-day operations and is often the provider of goods or services to Franchise Partners.

How it works:

- This entity operates independently of the holding company, creating a layer of protection between your valuable assets and your Franchise Partners.
- It establishes the relationship with Franchise Partners, handling their onboarding, training, and ongoing support.
- It collects royalties, marketing levies, and other fees outlined in the franchise agreement.



Example in action:

Imagine your franchisor entity as a coach leading a team. The coach guides players (Franchise Partners), develops strategies (training systems), and enforces rules (brand standards). While the coach is central to team performance, they don't own the stadium or the brand, those belong to the holding company.

How it evolves in a franchise system:

- As your franchise grows, this entity might assign its customers, sales territories, or product distribution responsibilities to Franchise Partners.
- Your accountant can help structure these transitions smoothly to align with your overall business goals.
- Over time, some businesses choose to create separate entities for specific functions, such as product manufacturing or supply chain management.



A practical scenario:

If you operate a bakery and franchise your brand, your operating company may initially bake and supply goods to Franchise Partners. Later, you might decide to shift production to Franchise Partner-operated kitchens or a dedicated manufacturing arm.

Intellectual Property

The Backbone of Your Franchise Success

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You may have more IP in your business than you realise. Beyond the obvious assets like logos and trademarks, valuable IP can include:

- Policies and Procedures: The operational playbook that ensures consistency across franchise locations.
- Proprietary Recipes or Processes: Unique to food businesses or manufacturers, these define the products or services you offer.
- Trade Secrets: These might include customer lists, pricing strategies, or unique approaches to service delivery.
- Digital Assets: Websites, custom software, and marketing templates.

Take Action:

Conduct an IP audit to identify all the assets that make your business successful. This process will help you categorise, organise, and document your IP, ensuring nothing is overlooked.

Example:

A cleaning franchise might find IP in its customer scheduling software, cleaning techniques, and brand guidelines. These assets must be clearly defined and protected to ensure consistent service delivery.

✓ Ownership Of Your IP

- Ownership of IP is non-negotiable in franchising. Your franchise system relies on your ability to license these assets to Franchise Partners. To safeguard ownership:
- Separate IP Ownership: Transfer all IP to the holding company mentioned in the business structure section. This prevents trading risks from jeopardising your valuable assets.
- Clear Contracts: Use licensing agreements to outline how Franchise Partners can use your IP and the consequences of misuse. We can assist with these.

✓ Register Your IP

Register Everything That Can Be Registered.

Registered IP not only provides legal protection but also strengthens your brand's credibility. Consider registering the following:

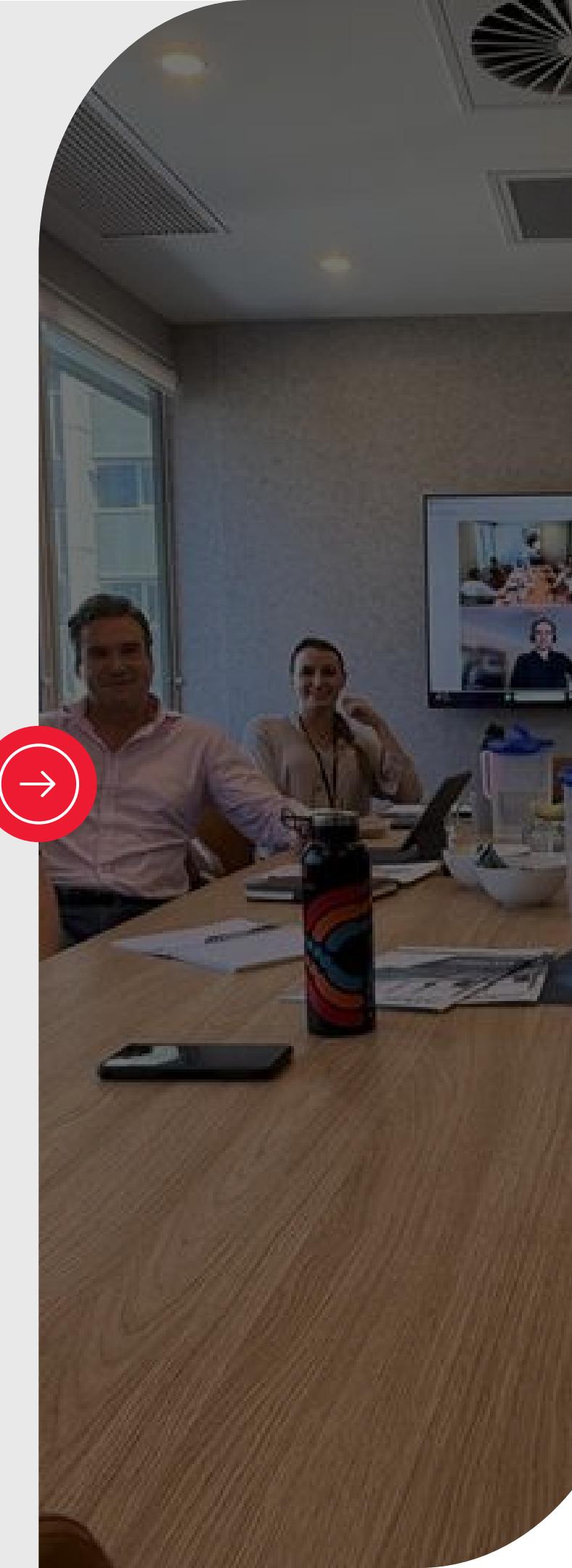
- Trademarks: Logos, slogans, trade names, and any unique design elements tied to your brand.
- Patents: If your business involves innovative products or processes, ensure they are patented.
- Copyrights: Protect creative materials like training guides, marketing collateral, and website content.

Why It Matters

Registering your IP gives you exclusive rights to its use and provides legal recourse against infringement.

Example

A fitness franchise with a unique training program and app should trademark its logo, protect the app's code under copyright, and ensure its training methods are confidentially documented as trade secrets.



Arriving At The Numbers

Crafting a Simple and Effective Franchise Fee Structure

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Setting up a franchise fee structure is a critical step in creating a sustainable and attractive franchise system. The key is to design a formula that fits your business while keeping it simple and relevant. Overly complex fee structures can confuse potential Franchise Partners and create unnecessary administrative burdens. A straightforward approach not only fosters transparency but also enhances trust and appeal.



Franchise fee structures are typically determined through comprehensive fee and financial modelling. This process considers the unique aspects of your business, such as industry norms, operational costs, and the value you provide to Franchise Partners. To help you understand the basics, here's a list of common franchise fee categories that most franchisors incorporate:



Initial Franchise Fee

A one-time payment made by Franchise Partners to join the franchise. This covers the cost of onboarding and the right to operate under your brand.



Ongoing Royalties

A percentage of gross revenue or a fixed amount paid regularly, contributing to the franchisor's ongoing support and brand development.



Marketing or Advertising Levy

A contribution to the franchise-wide marketing fund, used for brand promotion and advertising campaigns.



Training Fees

Contributions for access to proprietary systems, software, or platforms that support business operations.



Technology Fees

Costs associated with initial and ongoing training programs for Franchise Partners and their staff.

Insurance

Protecting Your Franchise Network

Every Franchise Partner must carry a minimum range of insurance to safeguard their business and protect the wider franchise network. While requirements vary by industry, common types of insurance include:

- Public Liability Insurance: To cover claims of injury or damage caused by the Franchise Partner's operations.
- Professional Indemnity Insurance: If your business provides professional advice or services.
- Product Liability Insurance: For franchises manufacturing or selling physical products.
- Workers' Compensation Insurance: Required for Franchise Partners with employees, ensuring compliance with local laws.

Simplify with a Broker

Partnering with an insurance broker who understands your industry can streamline the process. Franchise Partners can consult the broker to obtain the required policies, ensuring they meet your standards.

Additionally, brokers can:

- Track policy renewals and follow up with Franchise Partners to ensure compliance.
- Provide advice tailored to the unique risks of your industry.



Practical Tip

Request proof of insurance annually. Having your broker collect and verify this documentation can save you administrative time and reduce errors.

Brand Identity

The Foundation of Your Franchise Growth



Brand Name
Your brand name is the first thing potential Franchise Partners will encounter, and it needs to make an impact. A positive and distinctive name that is easy to say, spell, and search online helps your business stand out from competitors. Additionally, it's important to consider scalability, names tied to specific towns, states, or regions may limit your ability to expand beyond those areas. A well-chosen name reflects the vision and ambition of your franchise, creating a strong foundation for growth.

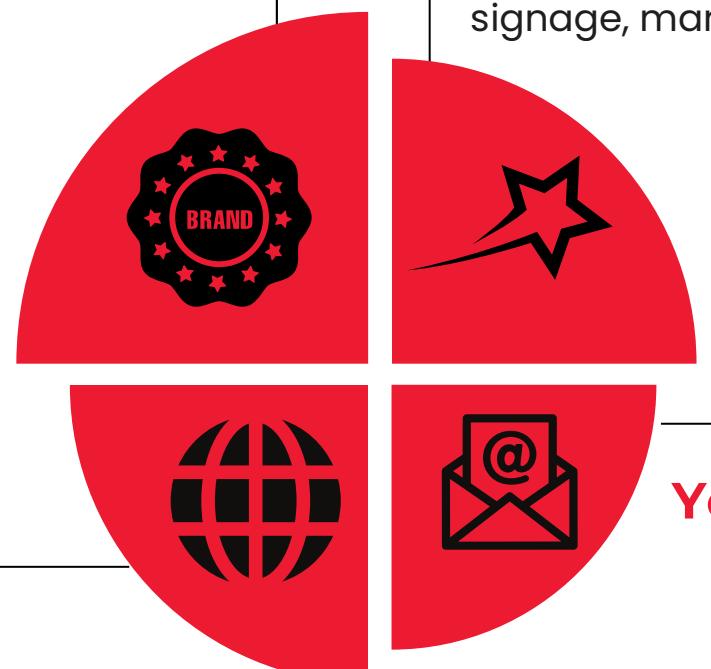
Logo

A professionally designed logo is a powerful visual asset for building recognition and trust. The most successful logos are simple, distinctive, and adaptable, making them memorable and versatile across various platforms. Consider global icons like Nike, Pepsi, or Google, whose logos are instantly recognisable due to their clean and timeless designs. Investing in a strong logo for your franchise ensures that your brand remains consistent and impactful, whether it's on signage, marketing materials, or digital platforms.



Website

In today's digital-first age, your website is often the first point of contact for prospective Franchise Partners. A professional and user-friendly website showcases your brand, communicates the franchise opportunity, and establishes credibility. It should reflect your values and vision while providing clear information about your business. A polished website not only inspires confidence in Franchise Partners but also demonstrates the professionalism and scalability of your franchise system.



Your Email

Your email address may seem like a small detail, but it carries significant weight in how your franchise is perceived. A business email address (e.g. yourname@yourbusiness.com) looks far more professional than a generic one like Gmail or Yahoo. It signals to prospective Franchise Partners that your business is established, trustworthy, and serious about communication. This subtle detail plays an important role in creating a cohesive and credible brand identity.

A strong and professional brand identity is essential for attracting Franchise Partners and setting your business apart in a competitive market. While having a well-known brand is not a requirement, your visual and digital representation should leave a lasting impression. Before you begin marketing your franchise opportunities, take time to assess and refine the key components of your brand to ensure consistency, scalability, and professionalism.



Employer To Franchisor

Embracing the Transition



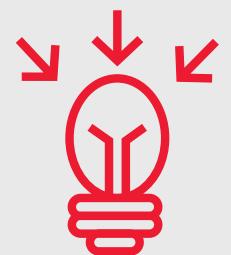
A Strategic Transformation

Transitioning from employer to franchisor involves a change in focus, moving from managing employees to partnering with independent business owners. This requires letting go of direct control over the day-to-day operations of Franchise Partners while still maintaining oversight of brand standards. With comprehensive operations manuals and training programs, franchisors can ensure consistency across the network, supported by Franchise Partners' vested interest in their success.



Key Benefits of the Transition

- Motivated Operators: Franchise Partners, as owner-operators, bring personal investment and commitment, often leading to better customer service and efficiency.
- Reduced Costs: Franchise Partners typically handle expenses such as fit-outs, new vehicles, and securing business loans, significantly lowering financial barriers to expansion.
- Delegated Staff Management: Franchise Partners manage their own teams, reducing the franchisor's HR responsibilities and allowing more focus on strategic growth.



Takeaways

- Transitioning to a franchisor role enables sustainable growth by leveraging the motivation and commitment of independent operators.
- Comprehensive systems and training reduce operational challenges while empowering Franchise Partners.
- This shift allows franchisors to concentrate on strategic planning and brand development, leaving operational details to Franchise Partners.

Suppliers

Establishing Strong Relationships for Cost Savings and Quality

Supplier arrangements are a cornerstone of any successful franchise system. These relationships help maintain consistent product quality, leverage cost savings, and reinforce your brand standards.

Mandatory Suppliers

Mandatory suppliers are those your Franchise Partners must use to source specific goods or services critical to your brand identity. For example:

- Food and Beverage Franchises: Ingredients sourced from approved suppliers ensure product consistency across locations.
- Retail Franchises: Branded merchandise or packaging from designated vendors maintains a cohesive brand image.

Benefits of Group Purchasing

By pooling the purchasing power of your franchise network, you can:

- Negotiate bulk discounts for Franchise Partners, reducing their operational costs.
- Potentially earn rebates from suppliers, providing an additional revenue stream for your franchisor entity.

Example

A coffee shop franchise might require partners to buy beans, syrups, and equipment from specific suppliers. Group purchasing not only ensures quality but also makes the franchise more profitable for individual partners.

Local Suppliers

Allowing Franchise Partners to source certain items locally offers flexibility while supporting the communities they operate. Local sourcing is ideal for general items that aren't critical to brand identity, such as:

- Cleaning supplies or paper goods.
- Fresh produce if your business values farm-to-table initiatives.
- Marketing materials tailored to local events or audiences.

Economic Impact

By encouraging Franchise Partners to engage with local suppliers, your franchise contributes to:

- Job creation and economic development in the Franchise Partner's community.
- A stronger connection between the franchise and its local customers.

Balancing Local and Mandatory Sourcing

Clearly define which items must come from approved suppliers and which can be sourced locally. For instance, a fitness franchise might mandate branded apparel from a central supplier while allowing cleaning products to be sourced locally.

Franchise Partner Recruitment

The Key to Your Franchise Growth

When considering franchising your business, it's essential to understand what potential Franchise Partners find appealing. Franchise Partners look for brands with clear values, strong support systems, and a proven opportunity to succeed. Your role as a future franchisor is to focus on creating a business model and brand that attracts motivated, like-minded individuals who see the value in partnering with you.

Franchise Partners are drawn to businesses with a compelling brand identity that resonates with their goals and passions. Whether it's a unique product, exceptional service, or a meaningful mission, your brand should clearly communicate why joining your franchise is an opportunity worth pursuing. Ensure your marketing reflects these strengths, using digital campaigns, social media, and in-person events like expos to showcase your vision.



Transparency and affordability in the early stages can also make your business more appealing. Franchise Partners value clear communication about what they will gain and what is expected of them. Offering competitive initial fees demonstrates that you are invested in their success and helps build confidence in your franchise model. Over time, as your franchise system grows and proves its value, fees can be adjusted to reflect the enhanced opportunity.

- Franchise Partners are attracted to a strong brand with a clear vision and values.
- Focus your marketing on showcasing the opportunity and support your franchise offers.
- Competitive initial fees and transparency build trust and attract motivated partners.
- A compelling, partner-focused approach is key to building a successful franchise network.

Head Office Support

Designing the Right Model for Your Franchise

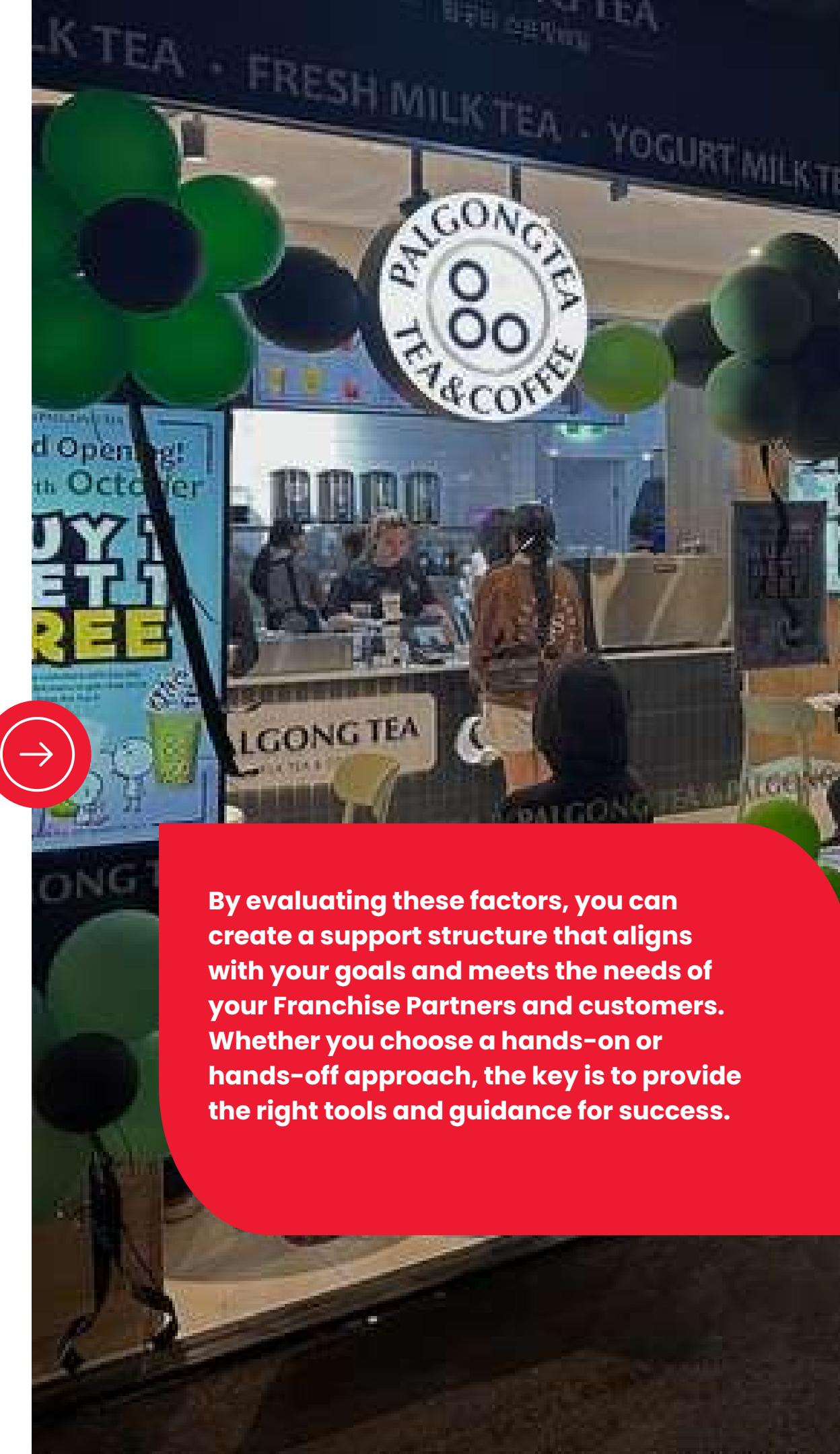
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- Some franchisors choose a highly supportive model, offering centralised services such as:
 - Bookings: Managing customer appointments or scheduling.
 - Customer Billing: Handling invoicing and payments to reduce administrative tasks for Franchise Partners.
 - Marketing: Providing comprehensive brand-wide marketing campaigns and materials.

Other franchisors prefer to provide the tools and training for Franchise Partners to handle these responsibilities themselves, allowing for greater autonomy and entrepreneurial freedom. This approach appeals to partners who want control over their operations and are confident managing business tasks independently.

- Franchise Partner Needs:** Assess their likely strengths and weaknesses to tailor your support model.
- Consistency:** Centralised systems ensure uniformity in customer experience and brand representation.
- Flexibility:** Offering tools and training empowers Franchise Partners to manage operations their way.
- Operational Efficiency:** The right balance minimises Head Office overheads while supporting Franchise Partner success.



By evaluating these factors, you can create a support structure that aligns with your goals and meets the needs of your Franchise Partners and customers. Whether you choose a hands-on or hands-off approach, the key is to provide the right tools and guidance for success.

The Marketing Mix

Attracting Franchise Partners Through Strategic Promotion

A successful marketing campaign to attract Franchise Partners involves leveraging a mix of digital and traditional channels to maximise your reach. With the advent of digital and social media, promoting your franchise no longer requires a massive budget. These platforms have levelled the playing field, making it easier to showcase your brand and connect with potential partners.



Effective marketing activities for attracting Franchise Partners



Digital Advertising

Use Google Ads and pay-per-click (PPC) campaigns to target individuals actively searching for franchise opportunities.

Social Media Marketing

Leverage platforms like Facebook, Instagram, and LinkedIn to share engaging content about your franchise opportunity and success stories.

Franchise Listing Sites

Promote your franchise on websites like First Franchise and other industry-specific directories, where potential partners are actively exploring options.

Content Marketing

Publish blog posts, articles, or videos highlighting your business's unique advantages, Franchise Partner testimonials, and growth potential.

Email Campaigns

Create targeted email campaigns for your leads, keeping them informed about the benefits and updates of your franchise.

PR Campaigns

Use press releases and media coverage to share milestones, such as signing new Franchise Partners or industry awards, to build credibility.

Franchise Expos and Trade Shows

Attend events to showcase your brand and meet potential Franchise Partners face-to-face, building relationships and trust.

Professional Networks

Tap into LinkedIn and other professional communities to connect with individuals looking for franchise opportunities.



Expansion Models

Exploring Pathways to Franchise Growth

When franchising your business, choosing the right expansion model is a critical step in building a sustainable and scalable network. Different models cater to varying needs and circumstances, both for the franchisor and prospective Franchise Partners. Understanding these options can help you align your franchise growth strategy with your goals and market opportunities. **NB: It is possible to use multiple models in one franchise system.**

Turnkey Model

The turnkey model offers a seamless entry for Franchise Partners. With an existing outlet, established customer base, or defined territory already in place, little to no further preparation is required. Franchise Partners can hit the ground running, leveraging an operational business from day one. This model is particularly attractive to those seeking a lower-risk, ready-to-operate opportunity with immediate income potential.

Greenfields Model

The greenfields model involves developing a brand-new territory without an existing premises or customer base. In this scenario, the franchisor works closely with the Franchise Partner to establish the business from scratch. This includes support in securing premises, marketing to build awareness, and training to set the partner up for operational success. Greenfields are ideal for those willing to take on the challenge of growing a new market while benefiting from the franchisor's guidance.

Conversion Franchise

The conversion model targets independent business owners looking to rebrand and align with an established franchise system. These partners adapt their operations to the franchisor's systems, gaining access to brand strength, marketing support, and operational guidance. This approach is mutually beneficial: the franchisor expands their network, while the partner gains the credibility and support of an established brand.

Bolt-On Model

A bolt-on franchise allows Franchise Partners to add a franchise operation to an existing business. This model is ideal for business owners who want to diversify their services or maximise the potential of their existing customer base by offering complementary products or services through the franchise system.

Customer Assignment

In service-based franchises, customer assignment involves the franchisor providing a bundle of existing customers for the Franchise Partner to service. This is often complemented by the Franchise Partner acquiring their own customers. It's a popular option in industries where established customer relationships are key to success, allowing Franchise Partners to start with a revenue base while they grow their portfolio.



Who We Are

For almost 10 years, Tereza Murray Franchising (TMF) has been disrupting the franchise consulting space.

- + We've made franchising an accessible and cost-effective growth solution for small businesses struggling with rising expenses and the challenges of traditional employee structures.

Backed by over 80 years of combined franchise expertise, our team collaborates with more businesses than any other franchise consultants. In just the past 24 months, our clients have achieved impressive results, collectively selling over 130 franchises.



Steve Murray
Co-Founder -
CFO



Nicole Newman
Marketing +
Communications
Manager



Diana Ruiz
Graphic Designer +
Marketing
Specialist



Scott Goodwin
NZ Legal Partner



Olivia Hitchens
AU Legal Partner

+ We Do Most Of The Work

Our team will do the heavy lifting. We write and prepare all of your franchise documents, both legal and operational. All we need from you is to attend the meetings and provide the information we need, and we'll do the rest.

+ We Are Affordable and Effective

Capital is the biggest obstacle to growth for small businesses. Our three development packages are not only the most competitive but also the most comprehensive on the market; in addition, we offer interest-free payment options ranging from 6 to 24 months. Chances are you will sell your first franchise before you finish paying it off.



Terera Murray
FRANCHISING

Leading Franchise
Consulting Services
Growth Model Experts

Thank you!

Our team assists with all of the topics discussed in this guide and are an integral part of the development process. We tailor our approach to suit your business's unique needs, offering expert guidance and practical solutions at every step of the process.

If you're ready to explore franchising as a growth strategy or want to discuss your business in more detail, we'd love to hear from you. **Get in touch with us today to discover how TMF can help bring your vision to life and set your franchise journey on the path to success.**

What's Next?

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