

# Franchising



## Helping you to give your franchise a glowing start

“We seek to understand your personal ambitions and your business vision from inception and through the entire business lifecycle. We believe this approach, allied with our in-depth knowledge of the franchising sector, delivers better results.”

**With UK turnover from franchise networks achieving £12.4 billion (5% growth in 2010 and 15% since 2006, better than overall GDP growth of 9.4% in the UK) and an overall failure rate still under 4%, the franchise community has a lot to be happy about.**

At Menzies we help franchise businesses, businesses looking to franchise and individuals looking at buying a franchise. We advise businesses of all sizes investigating franchising as a means to expansion both in the UK and overseas. Our team of specialist franchise consultants enables us to provide you with a balanced mix of technical and commercial advice, whilst at the same time being aware of the issues applicable to you.

As affiliates with the British Franchise Association (BFA) we work closely with the franchise community. We regularly attend the south east and south west franchise forums held quarterly to discuss hot topics in franchising and speak on a regular basis for the BFA at specialist seminars, particularly in London. By working closely with your other trusted franchise specialists, like banks and solicitors, we often co-host BFA workshops on topics in the sector. This ensures we have our finger on the pulse of the market.

### Franchisors

“Setting up a viable franchise model requires a lot of forethought and can be a costly process. As experienced advisers to franchisors, we understand, can advise and support your business from inception through its entire business cycle.”

Sourcing funding is currently an issue for any franchisor. Banks will lend up to 70% of the investment, and will require financial forecasts for the first two or more years of

For further information  
contact your relationship  
partner or email

[enquiries@menzies.co.uk](mailto:enquiries@menzies.co.uk)

[www.menzies.co.uk](http://www.menzies.co.uk)

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business to support your application. We can help you through this process to ensure that the model is set up appropriately to give your franchise a glowing start. Running a network of franchisees can bring another set of challenges. We can help you to set up systems to collate the necessary financial data from your franchisees to enable you to monitor their performance.

We are also able to provide business and tax advice to deal with matters arising throughout the business cycle of your franchise. By working together we can groom your business for your eventual exit.

## Solutions

### Services that help your business grow

We work towards forming long-term relationships with our clients. We provide a range of services designed to help you maximise the value of your business. Our franchising team delivers integrated advice on business planning, financing growth, management buyouts, financial investigations, exit strategies, audit and tax. Delivered as solutions built specifically to your needs, our franchising team can help you run your franchise group more successfully by:

#### Franchise model set-up

Although franchising your business can enable you to expand using other people's capital and achieve faster growth you will need to determine whether or not your business is suitable for franchising. By giving you an honest assessment of your franchise model, providing you with information about the profitability and state of affairs, we can provide peace of mind about the shape of your business.

#### Business plans

A franchised business needs strong financial control to ensure a measured and sustainable growth. We can help you to regularly compare your achievements with your business plan and adjust your business methods or the plan, so that you know where you are going, how you are going to achieve it and when.

#### Providing management information, profit improvement and financial forecasting

We can help you to set up a system to collate all the necessary financial data from your franchisees to enable you to monitor their performance. We will always suggest practical recommendations to improve performance and reduce business risk.

#### Accounting software advice and set up

Menzies can provide you with leading edge advice and practical support when choosing the best accounting systems for your business. We have the capability to evaluate the systems you currently use and offer our recommendations for improvement. By doing this, we can work to ensure that your practice is functioning at its operational best.

#### Payroll services

Our payroll services ensure that franchise employees are paid on time every month. By outsourcing your payroll to Menzies, you remove the need to recruit, retain and train specialist staff or purchase specialist software, saving you money and reducing risk.

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## Tax mitigation strategies

The peculiar taxation treatment of franchises and "goodwill" relating to them needs to be always borne in mind. We have extensive experience in saving franchisors tax and can offer you a full tax planning service.

## Raising and structuring finance

Critical to getting started is structuring your finance appropriately. Banks will lend up to 70 per cent of the investment, and will require financial forecasts for the first two years of business support. By preparing financial forecasts for you, we can identify short-term borrowing (overdraft) and long-term borrowing requirements through our trusted and specialist bank contacts. Besides assisting you with the financial forecast Menzies can advise on the most tax efficient manner for you to raise your share of the investment funds.

## Business valuations and transactions

We can advise you on business valuations, acquisitions and disposals, including franchise resale's, we can help save you precious time and money finding and negotiating the right deal.

## Exit strategies

We advise on the full range of exit options using sophisticated tax structures to help protect your wealth by assisting in the franchise valuation and the planning of your personal tax and investments.

Our strong franchise client base and in-depth knowledge of industry issues and market cycles mean that we are ideally placed to advise you through these challenges. Please contact us to arrange a no-obligation initial consultation.

## Franchisees

"Operating a franchise will bring along a whole new set of challenges and you will need an adviser who understands your business model. We'll help you to grow your business while staying in touch with your personal goals."

Buying the wrong franchise could not only cost you your initial investment outlay, the trading loss from the initial start up period, and your time costs, but also the opportunity cost of investing your money elsewhere.

Whilst buying a franchise business is perceived to be a safer route to being your own boss, success is not automatically guaranteed. It can be a challenging process as you decide what type of business is suitable for you, and whether the business model is likely to generate the necessary profits to provide for you and your family.

Sourcing funding is currently an issue for any new franchisee. Banks can lend up to 70% of the investment, and will require financial forecasts for the first two years of business to support your application. Bearing in mind the substantial financial and time costs involved in buying and setting up a franchise, it makes good sense to do your homework.

In order to maximise the best chance of success, it is best to always seek professional advice from a franchise accountant to ensure that there is no fallout from an ill-

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considered decision. At Menzies we can help you understand the strengths and weaknesses of the franchise you are interested in buying, your business model and suggest how to improve it in order to give your franchise the best chance of success.

## Solutions

### Services that help your business grow

We work towards forming long-term relationships with our clients. Our franchising team provides integrated advice delivered as solutions built specifically to your needs, to help you choose and operate your franchise more successfully. We'll help you to grow your business while staying in touch with your personal goals. By working together we can groom your business for your eventual exit, through:

#### Franchisor due diligence

Given the extent of this commitment, it is surprising that many people looking to buy a franchise fail to conduct research and planning beforehand. Not all franchise opportunities offer the same level of training and support to their network of franchisees and surprisingly many individuals make a commitment to invest without anything other than basic enquiries. We can help you with due diligence on the vendor you are seeking to acquire an existing franchise, helping you to avoid making mistakes arising from business failure, or selecting the wrong franchise for you.

#### Advising on profit improvement and strategic planning

We can give you an honest assessment of your franchise, providing you with advice on your profit and loss projections, cash flow forecasts, balance sheets, break even analysis and return on investment, giving you peace of mind about the shape of your business plan. We will always suggest practical recommendations to improve performance and reduce business risk. We can help you to regularly compare your achievements with your business plan and adjust your business methods or the plan, so that you know where you are going, how you are going to achieve it and when.

#### Financial forecasts to raise and structure finance

A lack of finance can cripple a business so critical to getting started is structuring your finance appropriately to ensure the most tax efficient manner for you to raise your share of the investment funds. Banks will lend up to 70 per cent of the investment, and will require financial forecasts for the first two years of business support. By preparing financial forecasts for you, we can help you identify short-term borrowing (overdraft) and long-term borrowing (investment funds) through our trusted and specialist bank contacts.

#### Advice on setting up as a sole trader versus limited company

Franchises are often structured in ways which result in significant amounts of unnecessary taxation. This landscape is constantly evolving, as we are currently advising clients on the effects of the 50% personal tax rate in relation to their business structure. It is also not unusual to incur a loss in the set up period, so you need to be aware of how your choice of legal entity may affect your tax positions and your business cash flow. We can advise you on setting up the right ownership structure to minimise your tax exposure and help with the future development of your franchise.

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## Bookkeeping and financial reporting

We can help you to set up a system to collate all the necessary financial data from your franchise to enable you to monitor its performance.

## Advice on VAT registration

The timing for applying for vat registration can impact on the early recovery of VAT on initial start-up costs.

## Tax planning and self assessment

We have extensive experience in saving franchisees tax and can offer you a full tax planning service.

## Exit strategies

We advise on the full range of exit options using sophisticated tax structures to help protect your wealth by assisting in the franchise valuation and the planning of your personal tax and investments.

Our strong franchise client base and in-depth knowledge of industry issues and market cycles mean that we are ideally placed to advise you through these challenges.

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