

COMMERCIAL BANKING

FRANCHISE BUSINESS

DEDICATED BANKING TO SUPPORT FRANCHISEES



LLOYDS BANK

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Why choose Lloyds Bank?

You'll have the support of our franchise team
and a banking package built to your needs

Our franchise managers will be with you from the start, from funding the right opportunity to helping your business grow.

Support when you need it most

Getting your franchise business off the ground will be demanding, and our financial support can make a crucial difference. We can fund up to 70 per cent of total set-up costs, including working capital, subject to status. We can also have your franchise contract reviewed by a British Franchise Association (bfa)-affiliated solicitor at a reduced fee.

Straightforward banking

Time is precious when you're starting a business, so we make banking as straightforward as possible. Our telephone and Internet banking options, alongside one of the UK's largest branch networks and other services like text alerts, mean it's easy to keep in touch and bank where and when it suits you.

Helping your business to flourish

You'll have access to Lloyds Bank's full range of products and services to help your business develop, and your relationship team will help you tailor your choices to your individual needs. You can take card payments for your goods and services using Lloyds Bank Cardnet® and protect your growing business with Essential Business Insurance arranged and underwritten by Allianz Insurance.

Franchising is our business

The Lloyds Bank Franchise team has in-depth knowledge of the franchise sector. Lloyds Bank is an affiliate member of the British Franchise Association and proud to support the growth of ethical franchising in the UK. The bank assesses, reviews and monitors the major franchise opportunities operating in the UK and our relationship managers are available to discuss any aspect of franchising with you.

Any property given as security, which may include your home, may be repossessed if you do not keep up repayments on your mortgage or other debts secured on it.

All lending is subject to a satisfactory credit assessment and we will need your permission to carry out a credit check on you and your business. You should not apply for an amount that you cannot comfortably afford to repay now and in the future to avoid the possibility of legal action.

I want to get off to a great start

Launching your franchise

18 months

Free banking for your start-up franchise business.

90 day

Trial period of Sage accounting software.

Free

Sage 'Planning for Business' software.

A relationship that counts

Whether you're starting out in business for the first time or have run one before, our franchise team provides invaluable support. Our franchise managers are available throughout the UK and will work closely with your local Lloyds Bank relationship team to make sure that you have all the support you need.

Even before you start, we can give you details of where to find solicitors and accountants who specialise in franchising. And our franchise team are available to help you with your research in finding the right business opportunity, through to business planning, financial assistance, bank account services and ongoing support once you are up and running.

Free business banking for the first 18 months

To give your business the foundations to succeed, we give you the first 18 months of your day-to-day business banking free.

There's no charge for:

- Paying in or taking out cash.
- Paying in or issuing cheques.
- Standing orders and UK Sterling Direct Debits.

You can make as many transactions as you need without paying a fee. Just make sure that you keep your account within agreed limits and don't go overdrawn without arranging it with us first.

We do not pay credit interest on balances during the 18 month free business banking period. The free business banking period is only available to new business start ups.

Free Sage 'Planning for Business' software

Sage Planning for Business will guide you step-by-step through the key things you need to consider to make your business a reality, from forecasting your cashflow to setting out your marketing approach. It also features links to useful information. By completing the tasks relevant to your business, you'll produce a comprehensive business plan you can present to investors and other support organisations. You can download it now at lloydsbank.com/sage



Free 90-day trial of Sage software

Sage Start-up and Sage Instant Accounts are software packages designed to help new and small businesses run efficiently.

- Sage Start-up is designed for new businesses. It provides planning tools and resources for key business areas such as legal issues, marketing and funding, plus a digital support service.
- Sage Instant Accounts is aimed at businesses that handle larger amounts of financial transactions. It gives you more accounting and reporting tools. It offers easy-to-use bookkeeping ideal for new businesses starting out or small businesses.



Find out more about Sage software at lloydsbank.com/sage

When your free trial is coming to an end, as long as you are a Lloyds Bank customer, you'll have the option to subscribe to the Sage Start-up service for £6.99 per month plus VAT or Sage Instant Accounts at £11.99 per month plus VAT.

Financial support that suits my needs

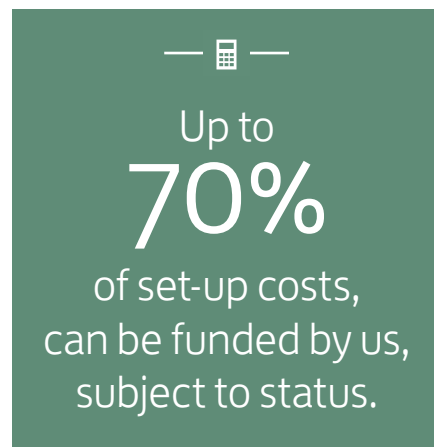
Financial services tailored to your business

Depending on your needs, we can offer financial solutions including loans, overdrafts, asset finance, commercial mortgages, corporate cards and factoring and invoice discounting provided by Lloyds Bank Commercial Finance.

Here's what our financial support can help you achieve:

- Buy the franchise.
- Purchase fixtures and fittings.
- Move into suitable business premises.
- Purchase stock.
- Provide working capital.
- Improve cashflow.
- Acquire essential equipment, machinery and vehicles.
- Debtor management.
- Staff training.
- Expand your business.
- Protection for you and your business.

All business borrowing is subject to status and the assessment of your application and business plan. Contact the Lloyds Bank Franchise Unit for an introduction to a locally-based relationship manager who will discuss the financial support you need.



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What do I need to know about franchising?

Franchising is an attractive way to achieve the dream of running your own business

Business Format Franchising

- A business owner 'franchisor' grants a licence to another individual or company 'franchisee'.
- This entitles the franchisee to set up and develop their own business using the trademark, name, know-how and business systems of the franchisor.
- The franchise must be an established successful business, not just an unproven idea.

The appeal of franchising

- Potential investors are attracted to a tried and tested business model as well as receiving initial training and ongoing support.
- A well-established franchise brings other benefits such as brand recognition and collective buying power.
- There are a wide variety of franchise opportunities available in the UK across a broad range of industry sectors.
- Leasing a proven business system reduces many of the risks that starting up a new business from scratch often involves.
- You'll be working by yourself but with the support of the franchisor in a mutually beneficial relationship.
- Banks like franchise businesses because you are investing in a tried, tested and proven business system with the back-up and support of the franchisor.

How it works

As a franchisee you'll be leasing a business system from its owner, the franchisor. This usually involves:

- Signing a comprehensive legal agreement setting out the terms of the business partnership.

- Paying a licence fee to the franchisor for the right to set up in business for a specified term.
- Using their established brand name, know-how, systems and tried and tested business model.
- Initial training and continuing support and guidance from the franchisor and their team.
- Paying a management service fee or a mark-up on any goods or services supplied by the franchisor.
- Building a viable business and goodwill which can eventually be sold on to a third party subject to them meeting the franchisor's selection criteria.

Self-assessment

Running your own business can be tremendously rewarding but will always be a challenge and demands great self-motivation. Consider the following before you make a commitment:

- Lifestyle changes when you become your own boss could include working longer hours, added pressure and stress and financial uncertainty, particularly in the early years.
- What type of business will you have an aptitude for and enjoy?
- Do you wish to be an owner operator or manage a team?
- Do you want to run a business from home, an office or a vehicle?
- What are your budget limitations and what opportunities are out of range due to cost?

It's vital that you thoroughly research franchise opportunities and take professional advice before making a commitment.



Support

You should expect the franchisor to provide you with guidance and support on all aspects of running the business.

Help me make the right choices

Choosing the franchise that works for you

The strength of the brand and the long-term viability of the franchise will underpin your success. Unproven systems that have not operated a successful pilot scheme carry a significantly greater risk. When you undertake thorough research you'll see that an established franchise has a track record of success and possibly some failures. It is important to investigate why they have been successful and what lessons have been learned from the franchisees that have failed. Once you've narrowed the options down to a handful of suitable opportunities, you can make more in-depth investigations.

Speak to existing franchisees

Ask for a list of franchisees and take the time to speak to as many of them as you can. The franchisor should provide this information willingly once they establish you are genuinely interested in their franchise opportunity. It is likely that they will want to manage the process, but don't just speak to the people the franchisor wants you to, who are likely to provide the most favourable responses. You should choose which franchisees to contact.

Initial and ongoing support

You should expect the franchisor to provide you with guidance and support on all aspects of running the business. Their input may include:

- Sales and marketing.
- General business skills.
- Business systems and operations.
- Financial management: accounting, book-keeping, payroll, taxation, VAT.

- Purchasing and stock control management.
- Customer acquisition and retention.
- Staff recruitment, training and retention.
- Technology – equipment, IT skills, software, website.
- Regulatory requirements – data protection, employment law, food hygiene, health and safety.
- Ongoing product and service research and development.

Financial considerations

The investment needed from you will vary depending on the franchise opportunity, so you need a comprehensive understanding of the costs to make sure you're not overstretched. Think about how much you will need for your personal commitments as it may be difficult to draw a wage at first. It's good to have a reserve of funds that you can draw upon in case the business takes longer than expected to get established.

What do franchisors look for?

Franchisors are looking for self-motivated people who have the drive to succeed. Remember they should be looking for a certain type of person with the right skills and attributes to fit into their franchisee network and be aware that the franchisor should ask you searching questions about your own goals and motives for investing in the business. Franchising is a partnership and you need to be certain that you can work with the franchisor over time to build a successful business.

Key questions to ask franchisors



The franchise

1. How long have you been franchising? Think about their track record and the director's background.
2. What professional support have you had in developing your franchise? Have bfa-affiliated consultants and solicitors been used?
3. What is your financial strength? Ask for the last three years' financial accounts. What capital has been invested and is the business profitable? Consider if the business is financially sound.
4. Who are the main competitors? Is the market developing? How competitive is it? Does the franchise have a competitive advantage or unique selling points? What market research did they do?
5. How many franchisees are there? Speak to several franchisees as part of your research.
6. What are your development plans? Are there sufficient resources? Consider how future developments will impact the franchisee.
7. How is your head office organised? Look at management, accounting, sales support and administration. Is this a well-organised and significant business?
8. Did you carry out any pilot operations? If it's a new franchise ask them to demonstrate its success.
9. How many franchisees have failed? What lessons have they learned? They should be prepared to discuss these failures openly.
10. How do you choose your franchisees? What skills and attributes are they looking for and how selective are they?
11. Are you a member of the British Franchise Association? If not, why?
12. Can I take up references? Bank reference or other reliable sources.

Costs and projections

13. How much does the franchise cost in total? What is included in the package and how much working capital will be required? Is there any additional expenditure? Consider if it's value for money.
14. What are the ongoing charges? Management service fee, mark-up on goods or services, advertising levy, any other costs.
15. What are the key financial ratios? Gross profit margin, typical overheads, projected net profit, stock turnover, debtor days and break-even figure. Are they realistic?
16. Can I see actual trading figures from existing franchisees? Think about your own projections and whether they are realistic and achievable.
17. Are there any financial arrangements I should know about? Vehicle and equipment leasing, supplier terms, national accounts, requirements to replace equipment or refurbish premises.
18. Is there a minimum performance requirement? Consider the consequences of not achieving the required levels and whether they are realistic.



Ask about the competition and make sure you understand the market as well as the particular franchise.



Methods

19. Is the business seasonal? When is the best time of the year to start trading?
20. Can I choose alternative suppliers? Am I obliged to buy goods from nominated suppliers? Are there minimum order levels?
21. Do you allocate exclusive territories? Consider the size, potential, restrictions and suitability of any proposed territory.
22. How long is the initial franchise licence granted for? Is it renewable? Is there a fee payable on renewal? What happens at the end of the term?
23. What restrictions will there be when I sell the business? What penalties are there if the agreement is terminated early? Are these terms acceptable?
24. What marketing programme do you have? What are the franchisor's and franchisees' obligations?

Support

25. What training is provided? Consider both initial and continuing training. Who pays for it? Is it classroom or field-based training?
26. What support do you provide prior to the business launch? Does the franchisor assist with site selection, lease negotiation, design, refurbishment, equipment, vehicles, staff recruitment and stock? What level of business launch support is provided?
27. What ongoing support do you provide? Who will deliver the support? Are there regular review meetings and field visits?

28. What support is available if I run into difficulties? Has the franchisor had experience of successfully supporting other franchisees with problems?
29. How often does the network get together? Are there regular meetings and conferences where franchisees can share best practices?
30. Can I meet your head office team? What experience do they have?

Questions to ask yourself

- Are you able to follow a system?
- Do you have the drive, tenacity and self-discipline to succeed?
- Can you develop and sustain relationships with a wide range of people?
- Do you have the full support of your family?
- Is the price right and will it deliver the returns you need?

Your decision

The franchisor's responses will help you to make the right decision. If they only seem interested in taking your money and not supporting you to develop your own business you should be prepared to walk away. You are looking for a franchisor who is passionate about supporting you to build a successful franchised business which will be ultimately beneficial to both parties.

But you should also think about what you want out of your business. If you value independence or want to run a business without restrictions, franchising might not be the right option. Be honest with yourself about franchising as a whole, and the particular franchise you want to invest in.



You should expect guidance and support from your franchisor throughout the life of your business.



The foundations of a successful franchise

Whatever the sector, successful franchises share common features you should look out for

Brand

The franchisor owns the brand or intellectual property and ensures that it is protected with appropriate trademarks. The franchisor has an obligation to the franchisees to take the necessary actions against those who damage the brand. Threats can come from other businesses that copy the brand or individuals within the network that operate outside the terms of the agreement and who could damage the reputation of the franchise.

System

The system will have been proven over a reasonable period of time through the franchisor operating their own business or demonstrating, through one or more pilot franchisees, that the business can be successfully replicated elsewhere with the right training and support. Any pilot scheme will have allowed the franchisor to fine tune the system and operations manual. The operations manual contains the franchisor's know-how and sets out the duties of the franchisee covering all aspects of the business.

Support

A major attraction to investors interested in franchising is the provision of initial training, ongoing support and guidance from the franchisor. Most investors will have little or no experience of running a business, so training and continuing support are essential. Franchisees will require more support in the early days of establishing their business, but they should also expect guidance and support from the franchisor throughout the life of the business.

Agreement

The franchise agreement needs to protect the franchisor's brand, know-how and franchisee network, so it will be weighted in their favour. It should at the same time be fair, reasonable and enforceable. All franchisees should be on the same terms and therefore the agreement will not be negotiable. It is advisable to get the agreement checked and explained to you by a bfa-affiliated lawyer with franchising expertise.

British Franchise Association

The British Franchise Association (bfa) was formed in 1977 and is the self-regulatory body that oversees franchising in the UK. Their website www.thebfa.org is an important source of sector information. The bfa run regular educational seminars for prospective franchisees across the UK.

Membership of the bfa doesn't guarantee that a franchise will be a trouble-free investment, however, you will have the comfort of knowing that the franchisor would have been investigated by the bfa and reached their entry standards to achieve accreditation.

The franchisor would also demonstrate that they are committed to dealing with their franchisees ethically and fairly. All member franchise systems are listed on the bfa's website.



British Franchise Association

Tel: 01235 820 470

Website: www.thebfa.org

Frequently asked questions

Answering some common concerns of new franchisees

How much can I borrow?

If you are investing in a well-established franchise opportunity with an excellent track record you may be able to borrow up to 70 per cent of the total set-up costs including any working capital requirement. Obviously any finance agreed will be subject to status and the strength of your business plan. For less established franchise systems the amount you can borrow may be reduced. It is advisable to have a contingency reserve fund to fall back on in case the business takes longer than anticipated to get off the ground.

Will I need to provide security?

The bank may require security to support your application for finance; however, this will depend on the amount you borrow. In most cases security will be required, which would usually be a legal charge over your main residential property provided there is sufficient equity available. The bank is likely to require a personal guarantee from the directors if lending to a limited company. Other forms of security may be acceptable and should be discussed with us.

What can I do if I haven't got adequate security?

If there is insufficient security the bank could consider finance under the Enterprise Finance Guarantee (EFG) for eligible businesses. The Department for Business Innovation and Skills (BIS) guarantees the lender for 75 per cent of the finance. As well as interest, you will pay an arrangement fee, plus a premium of 2 per cent a year to the government in respect of their guarantee on the outstanding balance of your loan.

What should be included in my business plan?

We provide a template to assist people in producing a suitable business plan. A business plan should include information about you and the business. It should also include profit and loss forecasts and cashflow projections. The initial objective of the document is to help you raise finance for the business; however, it will also help you understand what you wish to achieve from the business and is an essential document to review the performance against your projections, alerting you to anything that is not going according to plan. See page 3 for more information on our Free Sage Planning for Business software.

How do I know whether franchising will suit me?

Be honest with yourself – do you have the right skills and attributes to successfully run your own business? Running any business takes a great deal of self-motivation, discipline, tenacity, drive and hard work. Franchising will not offer you a get rich quick scheme and anyone who tells you differently needs to be treated with caution. Most successful franchisees display the following characteristics: they are good communicators, excellent customer service providers, they have good sales ability, are hard working and well organised.

What happens if the franchisor fails?

If the franchisor fails it could have far-reaching repercussions for all the franchisees in the network. The brand name will be devalued and any support you were receiving will stop. It doesn't necessarily mean that your individual franchise business will fail; however, you will lose many of the benefits that made franchising an attractive option in the first place. You must thoroughly research the franchise opportunity before making your commitment to invest.

Key activities before you make a commitment

Further steps to help you make a successful start

- Thoroughly research the available options – websites, exhibitions, franchise magazines and national press are all useful sources of information.
- Attend a British Franchise Association franchisee education seminar.
- Ask to meet the franchisor's head office support team to establish who is going to provide support to you.
- Speak to existing franchisees about their experiences and the support they have received.
- Discuss with your family what would happen if the business were to fail and put a plan in place.
- Get the franchise agreement checked by a lawyer with franchising expertise.
- The business plan is too important to leave to someone else. Our planning template will help you understand your objectives and how to achieve them.
- Presentation of the business plan is important – practice your delivery.
- Ensure you have appropriate insurance cover.
- Put in place a robust procedure for chasing debtors.
- Work in partnership with the franchisor who can share best practice from other franchisees within the network.

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I need solid professional advice

Discounted franchise agreement review

It is essential that a franchise agreement is independently checked and explained to you by a suitably qualified solicitor before signing. A full list of solicitors is available on the bfa's website.

If you'd like to take advantage of our discounted fee review offer, please complete the form opposite.

You should also have a professionally qualified accountant review your business plan forecasts and other figures. The bfa also accredits accountants who have demonstrated their expertise and experience in the franchise sector.



Visit www.thebfa.org for details.

Further information



Franchise publications

Franchise World

www.franchiseworld.co.uk

Business Franchise

www.businessfranchise.com

Making Money

www.makingmoney.co.uk

The Franchise Magazine

www.thefranchisemagazine.net

What Franchise

www.whatfranchisemagazine.co.uk



Useful websites

www.whichfranchise.com

www.franchiseinfo.co.uk

www.selectyourfranchise.com

www.gov.uk/browse/business



Suggested reading

'How to evaluate a franchise' by Martin Mendelsohn. A valuable guide from a leading franchise lawyer. Available through the British Franchise Association.

'60 minute guide to Franchising 2 – Twelve case studies from existing franchisees' by Nigel Toplis and Geoff Marsh. Available from the publishers www.sixtyminutebooks.net

Please complete this form clearly in BLOCK CAPITALS to take advantage of this offer and send it to the address shown with your payment and a copy of the agreement you wish to be reviewed. Additionally, you must provide proof of identity and your residential address which can be a copy of your passport or photo driving licence together with two domestic utility bills.

Franchise Agreement Review Service Application

Title Mr/Mrs/Miss/Ms _____	I hereby authorise you to provide a copy of the franchise agreement review assessment to Lloyds Bank Franchise Unit.
First name(s) _____	I understand that this is an independent service provided by Nina Moran-Watson at a reduced rate negotiated by Lloyds Bank.
Surname _____	
Full postal address _____ _____	Signature _____
Postcode _____	
Contact number _____	Date _____
Email address _____	Check that you have done the following before sending: 1. Fully complete and sign the application form. 2. Enclose the entire franchise agreement. 3. Enclose the required proof of identity and residential address. 4. Enclose your fee, correctly address the envelope. 5. Pay the right postage. Failure to provide any of the details requested will delay the assessment report.
Please provide an assessment of the enclosed franchise agreement for the following franchise opportunity (insert franchise brand name): _____ _____	
I hereby enclose my fixed fee of £370 plus VAT (£444.00) by cheque payable to 'NMW Legal/Franchise Consultancy Services Limited' for this independent Franchise Agreement Review Service. In return I will receive a written assessment from Nina Moran-Watson of the contract including any recommendations. Send to: Nina Moran-Watson The Lodge House Crow Lane, Tendring, Essex CO16 9AP Tel: 0845 241 5633 Email: nina@nmoran-watson.co.uk	If the franchise agreement was originally written by Nina Moran-Watson you will need to get it independently checked by a franchise solicitor, preferably affiliated to the British Franchise Association.

Our service promise. If you experience a problem, we will always try to resolve it as quickly as possible. Please bring it to the attention of any member of staff. Our complaints procedures are published at lloydsbank.com/business/contactus

Important information

Lloyds Bank plc. Registered Office: 25 Gresham Street, London EC2V 7HN. Registered in England and Wales No. 2065.

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Licensed under the Consumer Credit Act 1974 under registration number 0004685.

We subscribe to the Lending Code; copies of the Code can be obtained from www.lendingstandardsboard.org.uk

Lloyds Bank plc is covered by the Financial Services Compensation Scheme and the Financial Ombudsman Service. (Please note that due to the schemes' eligibility criteria not all Lloyds Bank Commercial Banking customers will be covered by these schemes.)

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Lloyds Bank Commercial Finance Ltd is part of Lloyds Banking Group and is not authorised or regulated by the Prudential Regulation Authority or the Financial Conduct Authority.

The Lloyds Banking Group includes Lloyds Bank plc and a number of other companies using brands including Lloyds, Halifax and Bank of Scotland, and their associated companies.

Help me start my franchise business

 Visit lloydsbank.com/franchising

 franchising@lloydsbanking.com

Please contact us if you'd like this information in an alternative format such as Braille, large print or audio.

If you have a hearing or speech impairment you can use Text Relay (previously Typetalk) or if you would prefer to use a Textphone, please feel free to call us on 0845 601 6909 (lines open 7am–8pm Monday to Friday and 9am–2pm Saturdays).

Your call may be monitored or recorded in case we need to check we have carried out your instructions correctly and to help improve our quality of service.

Important information

Please remember we cannot guarantee security of messages sent by email.

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