

New year, new franchise?

Is now a good time to start your own practice by buying into a franchise? Or if you already own a business, should you be thinking about expanding it and becoming a franchisor?



UK economic growth is still below the levels everyone would like to see. According to figures from the National Institute of Economic and Social Research, the economy grew by 1.9% in 2013 and is still 1.2% smaller than it was before the recession.

But there is one particular sector that has been outperforming the wider economy hands down. The 2013 NatWest/British Franchise Association (BFA) franchise survey shows that the franchise sector has grown by 20% since the UK entered recession back in 2008.

Kelly Blackmore-Lee, BFA's head of compliance, says: 'It's a proof of the resilience and the success of the model – local business owners operating under a larger, often national brand, with the support of the franchisor and a network of fellow franchisees.

Imagine what's going to be possible as the economy gets back on track.'

Accounting, tax and bookkeeping franchises are big business, targeting and serving small business clients.

'Just look at the success of UK-wide networks such as TaxAssist Accountants and Certax, with growth rates well ahead of the Big Four and others,' says Blackmore-Lee.

TaxAssist has a fee income of more than £30m and almost 200 franchisees across the UK serving 47,000 clients. It reports year-on-year growth of 14% against a backdrop of a slowdown in the accountancy sector generally.

Sarah Robertson, TaxAssist's business development director, says: 'We've bucked the trend by offering a welcoming, straight-talking approach, with accountants in shopfront offices right on the high street. The formula

has brought us sustained growth throughout the recession and a strong platform to optimise the opportunities as the economy recovers.'

While the accountancy franchise giants have been around for 15 years and longer, some of the relatively recent entrants are reporting rapid growth, too.

Elaine Clark started her online practice CheapAccounting.co.uk in 2007 and franchised it in 2009. She says: 'We've been busy throughout the recession because people wanted to cut costs. Now we're getting even busier because the recovery is giving people an appetite for starting a small business or doing something on the side that might later become their main career.'

The market is big and it is growing. Clark adds: 'Currently, there are 4.5 »

million businesses in the space we operate in – 3 million of the self-employed and 1.5 million small limited companies – and that number's rising.'

There seems to be enough work for everyone wanting to jump on the franchise bandwagon, too. 'Even our best-performing franchisees have not saturated their territories,' says Robertson.

'We often have business leads that we cannot progress due to the geographical constraints of providing a local accountancy service, so we are actively recruiting more accountants to meet that demand.'

As a franchisee, you assume you will reach profitability and growth quicker than if you start out on your own. Figures from the NatWest/BFA survey seem to confirm this – of those new to the industry (up to two years), 80% are already turning a profit.

Alan Philpott has been a CheapAccounting franchisee since last October. He says: 'I have an average of one enquiry per day, 23 clients of which I'm confident more than 80% will lead to repeat business, and a database of referrals some of whom will become clients when they are ready. I wouldn't have got all this so soon without the national brand.'

Overall, 92% of the franchisees in the 2013 survey reported profitability last year and one in four were running multiple outlets.

'Both are long-term trends that have been consistent since before the turn of the century and outstrip equivalent independent start-up figures,' says Blackmore-Lee. 'The support from a good franchise means that you don't necessarily need substantial experience in order to become a successful business owner.'

Some of the resale figures could be a testament to the strength of the business model, too. The TaxAssist network has recently seen its first million-pound office sale to new owners, at a multiple of 1.25 of revenues, and the new owners plan to double the office's 850-client base in the next five years.

But what about the other side of the coin? Grant Thornton's *International Business Report* shows that business optimism in the UK has soared by 74% over the past year, while a survey from Lloyds Banking Group suggests that it is now at a 20-year high and will rise even further in 2014. Businesses respond to this rising confidence by ramping up their investment plans, so

– like marketing and exposure – your success will be very short-lived.'

It is a crowded marketplace too, so you need to be bold and you need to be different. 'You have to stand out with a different message,' says Clark. 'The name CheapAccounting is like Marmite, you either love it or hate it, but it is the one thing that people always remember.'

Not everyone believes that expanding a practice by franchising is a good idea. 'It can devalue what we do and have a detrimental effect on brand equity,' says Russell Nathan, commercial partner at HW Fisher. 'For a mid-tier firm, so much of what we do is about providing advice and guidance to our clients, which is outside of

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some existing independent practices will no doubt be considering starting a new accounting franchise.

'If, at the outset, the franchise model is set up correctly, accountancy practices can grow via the investment of others at a quicker rate and at much lower cost than is possible organically,' says Blackmore-Lee.

You can try and replicate the success of other franchisors, although Clark offers a word of caution: 'Yes, someone could easily whack up a website, copy another model and say "we are a franchise", but getting people on board is a different thing. Then, unless you're bringing in clients for those people or offering them something they couldn't do themselves

the role of just being a qualified accountant. It's this expertise and knowledge that cannot be transferred to a franchised practice as easily as a brand name or logo.'

Nathan believes franchised practices work well in the routine finance areas that do not require building long-term relationships and knowing the clients – outsourced bookkeeping, management accounts preparation, payroll and tax compliance, and so on. 'Over the next 10 years, I expect to see many smaller practices and one-man bands merging to form more networks,' he says, 'but I don't believe these will be in the form of franchises.' ■

Iwona Tokc-Wilde, journalist

