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# THE SUNDAY TIMES

## Take the plunge by going for a franchise

It's easier to get started in business if you are working with an established brand. Report by Andrew Stone

**W**hile taking a break from her career as a human-resources manager to have her first child, Gabrielle Lixton spotted a business opportunity in the swimming classes she attended with her baby.

Water Babies, the company running the classes, had just started selling franchises and Lixton jumped at the chance to buy one in Berkshire, her local area.

"I had been thinking about whether to go back into corporate life or whether to run a business of my own. Water Babies seemed like a tried-and-tested business, so I spoke to the franchise owners and was really impressed by them. I decided to buy one."

Within two and half years she had grown the business by more than five times, bought a second franchise in Oxford and sold her first one for 15 times what she paid for it.

Buying a franchise offered Lixton the chance to run her own business but with less risk than starting from scratch on her own. "The advantage of buying a good franchise is that you get help with things like marketing, human resources, PR and health-and-safety matters. Water Babies offered me a complete system and loads of support, and that let me concentrate on growing the business," she said.

Franchising is continuing to grow in popularity because it offers budding entrepreneurs a proved concept and a business that can be grown rapidly with less risk than starting up on your own, according to the British Franchise Association (BFA).

As the economy slows, interest in franchise businesses is increasing, according to Tom Endean of the BFA. "We asked our members how they were doing as the economy slows and they reported more enquiries than ever from prospective franchisees."

"Whether people are taking redundancy or making a career change and thinking about starting their own business, franchising is a safer option than going it alone. The survival rate of franchisees is much higher than other start-ups and this makes it easier to secure finance from banks."

The turnover of franchise businesses grew 15% last year and they are likely to grow healthily even if the economy slides into recession, said Endean.

"Franchising is a proven model now, combining the best of motivated local businesses with the back-up and cost savings offered by a large company."

Even big business is using the franchise model. Leading brands are using it to expand all over the world, offering substantial opportunities to local business people.

Hilton is one group that is using franchises to expand as it introduces two American brands — Hampton and Doubletree — into Europe as part of a plan to double its number of hotels over the next decade.

Working with an established brand rather than creating your own takes much of the risk out of what can be a sub-



JULIAN ANDREWS

It's all going swimmingly: Gabrielle Lixton teaches a toddler in a class at her Water Babies franchise

stantial investment, said Patrick Fitzgibbon, senior vice-president of development for Hilton. Access to the Hilton system helps its franchisees set up and run their businesses and offers a greater guarantee of success than if a hotelier acted alone. "The franchisee knows that we will continue growing and marketing the brand and growing their customer base," he said.

Success is not guaranteed, however, and franchisees must do their homework, according to Paul Thompson, who founded and co-owns Water Babies with his wife Jessica. "Checking out the franchisor first is so important. You do hear horror stories of people handing a cheque to the franchisor and never hearing from them again."

"Make sure they have the correct documentation: a well thought-out operating manual, the correct legal agreements and good infrastructure that will help you when you need it."

"Ask them about the support and the systems they have in place. If they are

cagey about any of this, walk away. Work with open franchise networks, ones where you can talk to and get advice from fellow franchisees."

"We also make our franchisees go on a day-long course at the BFA so they can question us properly about what it takes to make a franchise work and what they should expect from us."

"We advise our franchisees to think about whether they would be better off doing what they do on their own. It's a sure way to work out if the franchise you are looking at offers a partnership that's for the benefit of both parties."

Thompson said that writing a business plan was also important, as was valuing a franchise — three times profit is a good starting point. "But you also need to take into account the client base, how long the business has been going and how much goodwill it has built up."

Another advantage that franchising has over starting on your own is that it is easier to secure bank lending against a franchise, said Thompson. "Banks have

helped fund two-thirds of our franchisees and offer anything up to 75% of the money needed to buy a franchise, although typically it's more like 50%."

Despite the advantages of franchises, they don't suit everyone, said Hilton's Fitzgibbon. "There are certainly different types of entrepreneur and some can be very independent in their thinking. This might not suit the franchise model, which only works when it offers consistency of experience. It's important not to fight the system but to work with it."

For those with the right attitude, however, franchising offers the opportunity to grow a business rapidly with less risk, said Lixton. "There's a tendency to see franchising as somewhere between a job and running your own business, but in my experience it's very much your own business."

"If you are buying into a good territory you can quickly recoup the money you have invested and your franchise has a value just like any other business when you decide to sell it on."