



## **BUZZ Franchisee Kit**

Owning your own franchise business is a dream for many Australians. As exciting as that dream may be, the realities of actually 'taking the plunge' can be extremely daunting. This Franchise kit is designed to demystify the process of assessing a franchise and help make your decision process easier.

### **What is franchising**

Franchising is an agreement that allows one party (the franchisee) to do business under a brand name and according to a given pattern of business that has been developed by another party (the Franchisor).

A franchisor develops a business format – an operating system and a brand for selling a particular product or service. The business is a blue print for operating the business. A franchisee is an individual who pays an initial fee and ongoing royalties to the franchisor, to use the business format to operate their own business.

### **Franchise Fees**

A franchisor typically makes their money through franchise fees paid by the franchisee. There can be a number of different fees charged and it is important to understand what each is:

**Initial Franchise Fee** – This covers the grant of the license to use the brand, systems and setup. It also covers initial training and pre-commencement assistance.

**Set-Up Costs** – these are not fees as such, but are the establishment costs of the business and cover such things as shop fitout, stock, signage, plant and machinery and other such costs.

**Royalties** – The majority of a franchisor's ongoing income is derived from royalties. These are calculated as a percentage of the franchisee's turnover.

**Marketing and advertising fees** – these cover such things as advertising, public relations, product development, market research, brochure development and merchandising. All moneys are kept in trust and audited separately each year. They are a percentage of the franchisee turnover.

**Other ongoing fees** – there may be ongoing fees for such things as training, conferences and software program that the franchisee is obliged to pay for.



## Advantages of franchising

- Brand recognition – Brand and reputation of business already established and customers are more comfortable purchasing from a brand they know and they know what they are going to get. A recognised brand name is beneficial with negotiating leases, hiring staff and establishing relationships with suppliers
- Coordinated Marketing Activity – by being part of a network, you centralise the coordination of the marketing message to get consistency, and are able to advertise more widely and more often.
- Training - a franchisee can get into an industry without necessarily having experience.
- Ongoing Franchisor Support – franchisors provide ongoing support, which may include an Operations Manual, site selection, recruiting and managing staff, access to market information, selection of plant and equipment and a variety of other activities.
- Network of Peers – as part of a franchise group you can share ideas and learning from each other
- Streamlined set-up – because the franchisor has a proven system, they can advise on premises fitout, costs for machinery & equipment and stock etc.
- Purchasing benefits – depending on the size of the franchise group means that you can have access to suppliers at discounted rates
- Financing – lenders may be receptive to brand and business strength and lend favourably to prospective franchisees

## Is franchising for you?

Unlike independent business, a good franchise offers tried and tested methods and systems for operating and managing the business, ongoing support and training and a strong existing brand.

In some ways a franchise is like a lease in that you buy a right to use the system for a set number of years. After that period your right to continue in the business ceases, unless there is a right of renewal. Most franchise systems operate under a set of very specific rules, which you must fully understand and be comfortable with before signing the Franchise Agreement.

The key to any decision will be your personal circumstances and you should give serious consideration to such things as:

- Your personal goals
- The operating hours
- Your ability to manage staff
- The type of customers you will be dealing with
- The level of skill involved in running a business
- The physical demands of the business



## Is a BUZZ Franchise for you?

Buzz Salons are focused at the low end of the industry which has huge potential for growth and a superior service which is why the Buzz franchise has been so successful. BUZZ salons have been operating successfully for 2 years. There are currently three salons – two Company owned and one franchised store is to open a total of 5 shops in the next 3 years. The BUZZ concept is a first in the hair industry, offering customers a great experience, inspirational cuts and colour all at an affordable price.

The salon fitout adopts a funky layout with TV screens music and very affordable pricing. The lower end of the hair market has traditionally been poorly operated; Buzz has been set up to offer a funky innovative solution to this market. Competition is limited to a few 5 - 10 shop operators and one national operator Just Cuts. There are currently 3 Buzz shops and each one has great growth figures month on month and year on year, proving that the model is a success.

### *Step One:*

Typically, you will be a qualified hairdresser that wants to own her own business but not sure about how to go about it. How to hire and train the right staff, how to set up a modern hairdressing salon. You will like to be able to gain assistance with business systems, stock management and marketing. You may have some money saved up and want to operate a successful business; you are prepared to work in the business but would welcome support and assistance with working 'on the business' to make it a success. You want your hairdressing business to be located in shopping centre for easy access to customers and parking. You may have been to the bank and know whether you need to obtain finance.

### *Step Two:*

You will have researched other hairdresser businesses, (either franchised or stand alone) and visited a Buzz Salon and decided that you will like to know more about a Buzz Salon franchise. You may have spoken to salon staff, used the salon or contacted the franchisor to discuss opportunities.

### *Step Three:*

Now that you are ready to find out more about owning a BUZZ Salon, you will make an appointment with the franchisor. Before you meet with the franchisor, you will have prepared a list of questions that you want answered. You will also update your resume to bring to the interview. Be aware that you may have to sign a Confidentiality Agreement, before the Franchisor will divulge any confidential information about their system. Just as you will be seeking information about a BUZZ salon, the franchisor will be seeking more information about you, your qualifications and previous business experience. The franchisor will ask about your financial resources and obligations at an early stage, to be sure that you are prepared for the franchise entry fee and working capitol requirements.



#### ***Step Four:***

Market Research. You will have independently have investigated hairdressing market conditions and the potential of a Buzz Salon. You may be asked about these in one of the franchisor interviews. You will have looked at:

- Current and projected market share
- Whether the industry is in growth
- What are the key market trends
- Who are the competitors
- What are the threats and opportunities

#### ***Step Five:***

Further Interviews. You may still be uncertain and the franchisor may want to meet with you several times to make sure that you both are aware of what is expected. Yu may want to visit more salons and use the services to see that it is right for you.

You should seek independent advice from your accountant or lawyer. They may want to conduct reference checks on the franchisor and look at trading figures for a salon etc. You should take whatever time you need to resolve any questions or concerns and should not proceed with the formal Franchise Agreement until you are certain that this is the right step for you.

#### ***Step Six:***

Once you are comfortable that you have all the necessary information and have sought all the right advice at your disposal, the final decision rests with you. It is your money and it will be you business, soothe final decision must be yours.