

The key ingredients of a successful franchise

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Dentons' recent franchising masterclass—presented in collaboration with the International Franchise Association (IFA), the Chamber of Commerce and Industries of Tegucigalpa (CCIT), Honduran–German Chamber of Commerce and Industry (AHK), Gastronomic Association of Honduras (AGHAS) and the Honduran American Chamber of Commerce (AMCHAM—explored opportunities in Central America. It brought together participants from across the food and beverage, retail and service industries to discuss opportunities that franchising presents for businesses in this dynamic region.

Key takeaways include:

The key ingredients of a successful franchise

Franchising is a win-win business model. It brings together the brand name and know-how of the franchisor with the local market knowledge and capital of the franchisee to enable both businesses to quickly grow together domestically and internationally.

Fundamentally, franchising is simple. The key ingredients of a successful franchise are straightforward. You need:

- A strong and easily recognizable brand name and trademark
- A unique business model that sets the franchised business apart
- A strong value proposition that enables both franchisee and franchisor to make an attractive return on their investment
- A training system that is easy to teach, assuming the franchisee is properly qualified

If your business meets these requirements, it is likely that it can be franchised.

Franchising allows for the sharing of risk and reward. The franchisor establishes the brand's trademark or trade name and a business system, and the franchisee provides the local market knowledge and capital to establish the franchised business on the ground. As such, a franchise relationship is a partnership between the franchisee and the franchisor. The franchisor provides the franchisee a tried-and-tested business model. The franchisee pays a franchise fee for the privilege of using the know-how and system developed by the franchisor.

The secret of successful franchising is to ensure that both parties understand and perform their role correctly. Dentons Franchise Advisory can help you become best-in-class franchisors and successful master franchisees.

What can be franchised?

Any business that meets the five key franchise criteria can potentially be franchised. If you have a unique product, offering or service and a strong brand name, we can explore how it can be replicated through the entrepreneurship of a franchise. Franchising is a business model that enables a growth strategy. It is not an “industry,” and there is no defined “rule book” per se. While the principles of franchising have a very broad application, a successful franchise must have rigor in its planning, development, implementation and execution.

Dentons has worked with a wide array of sectors and industries—ranging from retail to restaurants, hotels, domestic and industrial services, education, automobile dealerships and car rental. All of these have proven franchise models.

The Dentons seven-step plan to launching a franchise business

Dentons will accompany you on every step of your franchise journey. Our analytical exercise is the first thing we will work through, using this very simple seven-step guide to help you launch a successful franchise business. This can take time, but it's essential to invest in a process of careful preparation and analysis.

1. **Risk-benefit analysis.** We work with you to analyze the risks and opportunities of franchising to ensure it is aligned to your brand and strategy.
2. **Financial modelling.** We will work through your business plan to assist you with your commercial decision making. We will help ensure you have made all the important considerations to establish whether the business generates sufficient profit to allow for a successful franchise.
3. **Creation of the franchise operating model.** We will review your existing business model and identify areas that may need to be modified to enable a successful franchise operation. There are so many potential approaches you can take; we may recommend a simplification or the development of a modular approach.
4. **Creating franchise manuals.** You may already have your own manuals, but we will make recommendations for the best way to document your franchise business through a series of handbooks. We can completely digitize this process for you, making it efficient and affordable. This is essential as you globalize your brand and maintain firm control of your franchise's operating standards.
5. **Training and audit program.** You can rely on us to create a comprehensive training and quality audit program to ensure that uniform brand standards are maintained across the franchise. This can be completely digitized.
6. **Selection and approval process.** We will help you develop a process for selecting and approving franchise brands or new franchisees.
7. **Roll out.** This is a vital step, which underpins the successful development of a franchise strategy. It involves the targeting of key markets and franchise partners and the successful opening of franchised businesses in key territories around the world.

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