



ANZ FRANCHISE GUIDE

Owning your own franchise business is a dream for many New Zealanders – and ANZ can help.

Franchising is an important part of the New Zealand business community. With a network of ANZ Business Specialists throughout the country, we're committed to the development of the franchise sector, and to the success of the business owners that drive it.

This guide is a great place to start if you'd like to understand how franchising works and whether it's right for you.

WHAT IS FRANCHISING?

When you buy a franchise, you're buying the right to use a prescribed 'business format' with an established brand, products and business processes, for a set period.

The business format is owned by the franchisor, who has developed it over time. They sell the rights to use their business format to franchisees, who pay an initial fee and ongoing royalties.

Is franchising for you?

A key advantage of buying a franchise is that it can remove some of the risk and effort in setting up an independent business from scratch. Buying a franchise can be a great way to achieve your business ownership goal, but it's not for everyone. When you're thinking about whether a franchise business is right for you, consider the following potential advantages and disadvantages:

Things to consider...	Advantages	Disadvantages
Brand recognition	The name and reputation of the company are already established. Customers, suppliers and staff are often more comfortable dealing with you because they know what to expect.	You may suffer if the brand loses its appeal to customers. This could be a result of poor performance from the franchisor or other franchisees.
Marketing	As a part of a network your business can be advertised more widely and more often, with economies of scale. You'll potentially benefit from marketing activity that other franchisees have undertaken (e.g. in a nearby territory).	The marketing plans may be limited to what is set by the franchisor. This could be a national or international approach which might not work for your region.
Training	The training provided can sometimes mean that you're able to enter a business or industry without necessarily having prior experience.	There can be ongoing training costs and audit requirements.

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Things to consider...	Advantages	Disadvantages
Support & networking	<p>Most franchisors provide ongoing support, including operating manuals, HR support and site/equipment assistance.</p> <p>You will have access to a network of other franchisees to share ideas and learn from their successes.</p>	Many franchisors will require you to attend regular meetings and conferences at your own expense.
Set-up	Because the franchisor has a proven system for establishing new franchises, they are likely to work with you to set up your new business in the most efficient way.	Often, there are specific franchise requirements (e.g. shop fit outs) that can be costly to purchase upfront.
Supplier / purchasing	There is potential to benefit from economies of scale as the franchisor may negotiate and buy in bulk on behalf of all franchisees.	You may be restricted to purchasing from certain suppliers, which might not be the most beneficial or cost effective for your region.
Other...	Financing – lenders are sometimes prepared to lend more to franchised businesses because of the strength and reputation of the business.	<p>If you want to sell your business to a third party, you will usually require approval from the franchisor.</p> <p>In some circumstances you will have to pay fees to the franchisor even if you don't make a profit. Hence your margins could be reduced.</p> <p>You have less control over how the business is run.</p>

THE FRANCHISOR

A proven business model and brand are key – but don't underestimate the ongoing role of the franchisor. Here's just a few of the things that a good franchisor will offer, not just at the start, but as your franchise grows:

- Innovation – keeping your business thriving through new technology and better ways of working.
- Benchmarking – updates on how your business compares to the other franchisees and the wider industry.
- Updated manuals and guides – practical tools on how you can implement better processes and practises.
- Research – useful information about current industry and market trends.
- Planning – helping you prepare for the future with updated plans and methods.

**FOR MORE INFORMATION
AND KEY QUESTIONS TO ASK
A FRANCHISOR, CHECK OUT
[ANZ.CO.NZ/BIZHUB](https://anz.co.nz/bizhub)**





PROFESSIONAL SUPPORT

It's crucial to get professional support when evaluating any franchise business. Your lawyer, accountant, ANZ Business Specialist and franchise experts can help to ensure that you're set up to succeed from the start; the earlier you engage them, the better.

Here are some of the things that your professionals can assist you with:

Lawyer

Your Lawyer can help you understand and review the Franchise Agreement and its supporting documents. Your lawyer should also work with you to prepare any other legal documentation or agreements, and they will help you to understand your obligations under the law.

Accountant

Your Accountant can help you to check all figures and forecasts supplied by the franchisor. They can also work with you to understand upfront and ongoing financial items including costs, profits, lending requirements, working capital and cashflows.

Franchise Experts

There are specialist franchise experts that can provide you with specific advice and guidance regarding becoming a franchisee and the ongoing management of a franchise business.

ANZ Business Specialist

An ANZ Business Specialist will help you to work out the best way to fund your new business and assess any lending requirements you may have. They can help you with setting up accounts and business tools for the ongoing management of your business finances. They can also connect you to a range of specialists to help you with everything from payment facilities, importing and exporting information right through to insurance services and foreign exchange.



Here are some tips for working with your professionals:

- Choose professionals with specialist franchising experience
- Ask for an estimate of fees prior to engaging any adviser
- Don't hold anything back or try to cover up issues; it's your advisers' job to help you to overcome problems
- Encourage your advisers to work with each other, this will minimise conflicting advice.

For more information on getting the most out of your professionals, see our ANZ Business Start-up Guide or our online business resource centre – anz.co.nz/bizhub

**TO CONTACT AN
ANZ BUSINESS SPECIALIST,
CALL 0800 269 249.**

A STEP-BY-STEP GUIDE TO PURCHASING A FRANCHISE BUSINESS



STEP 1: Identify what sort of franchise you want

Think about the types of industries that appeal to you. Then find out what's available to buy; there are a range of sources, including the Franchise New Zealand magazine (also available at franchise.co.nz), websites such as nzbizbuysell.co.nz or trademe.co.nz, as well as business brokers.



STEP 2: Establish how much you can spend

Franchises vary widely in their initial entry costs and their ongoing costs. Work out what sort of franchise you can afford and whether you will need finance. This is a good time to engage with your Accountant and an ANZ Business Specialist. They will help you consider some of the typical costs:

- Initial fee – the franchise 'right', initial training, etc
- Set-up costs – the establishment costs of the business; e.g. shop fit-out, stock, signage, plant and equipment
- Royalties / franchise fees – typically calculated as a percentage of the franchisee's turnover
- Marketing or advertising fees
- Other ongoing fees – e.g. training, or insurance.



STEP 3: Getting more information

It's a good idea to evaluate more than one opportunity. Make contact with a range of franchisors and assess their systems and offers. Take the time to review the information, make note of questions and follow them up with the franchisor.

**COSTS CAN VARY WIDELY
BETWEEN FRANCHISE SYSTEMS
DEPENDING ON FACTORS SUCH AS
LOCATION, SIZE AND RENT.**

**EVEN IF YOU HAVE A
SPECIFIC FRANCHISE IN MIND,
COMPARING A RANGE OF OPTIONS
WILL GIVE YOU A BROADER IDEA
OF WHAT'S AVAILABLE.**



STEP 4: Market research

It's important to conduct an independent look at the viability of your proposed franchise. Look at: market trends, the industry's growth, competition, threats and opportunities. Your ANZ Business Specialist can provide some resources to help you through the market research process.



STEP 5: Meet the franchisor and other franchisees

There's no substitute for face-to-face meetings to help you assess a franchisor and their organisation.

You may also wish to meet with and have site/field visits with other franchisees to understand how they operate day to day and whether the business has met their expectations.



STEP 6: The Franchise Agreement

Review the Franchise Agreement carefully, it includes key provisions and principles including: rights, obligations, duration and costs. Ensure you fully understand it, and it encompasses all the documentation and information that you've used to make your decision.

The franchisor may be unwilling to make changes to their Agreement; think about whether you're still happy to proceed if this happens. In the end, the final decision is yours. Good luck!

HOW ANZ CAN HELP YOU BECOME A SUCCESSFUL FRANCHISEE

ANZ has an extensive range of resources available to assist you in starting a franchise business:

- ANZ Biz Hub has helpful articles and information for setting up a franchise, plus you can:
 - Access a range of business templates
 - Order the free ANZ Business Start-up Guide
 - Register for a free ANZ Workshop – held throughout New Zealand, covering a variety of topics
- Check out Biz Hub at anz.co.nz/bizhub

- A team of ANZ Business Specialists. Contact us on 0800 269 249
- The ANZ Business Start-up Package – if your business is less than two years old, you'll pay no transaction or monthly account fees on your ANZ Business Current Account for the first year amongst other banking benefits*. Apply online at anz.co.nz/startup

* Eligibility, lending criteria, terms, conditions and fees apply.

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