Fact sheet
Diversification (Alternatives) 10
V1 2020

FRANCHISES FOR FARMS

Introduction

If you are interested in starting your own business, purchasing a franchise could be an option worth considering. The term franchising has been used to describe many different types of business relationships, including where a person is licensed to sell a product, where a person is a distributor of a product, or where a person is an agent for a particular product. The more popular definition is where one person (the franchisor) gives permission to another person (the franchisee) to use the franchisor's trade name and business system in return for an initial payment plus further regular payments usually based on turnover. Franchises are available for a wide range of products and services. There are advantages and disadvantages of opting for a franchise instead of using your own idea or developing your own product or service.

Investing in the right franchise

It can be difficult sometimes to know exactly what you are getting when you invest as a franchisee to a brand.
Some useful questions that should be asked to the franchisor before starting are:

- will training/support be provided?;
- what are the recurring costs and/or royalties?;
- is financial assistance provided?;
- is the opportunity work-from-home friendly?;
- in the event of a resale, what are the options?; and,
- are there testimonials from current franchisees?

Franchise opportunities

It can be difficult to identify the right franchise from the hundreds or sometimes thousands available. What general area appeals to you – machinery, food, beauty products, landscaping/gardening, finance, high-tech equipment, etc.? What would suit your particular resources – farm, buildings, amount of free time, available skills/training/experience within the family? What product or service would sell well in your catchment area? Do extensive background research – has the product or company selling the franchise a good track record? Seek advice – Teagasc, financial institutions, etc.

Advantages:

- lower risk – using a proven business idea, product or service;
- lower costs – marketing, training, product development, etc., normally provided by the franchisor;
- faster start up – can be up and running very quickly; and,
- can choose a franchise that suits your particular circumstances and resources.

Disadvantages:

- the franchisee will have to pay a percentage of profits to the franchisor; and,
- you will be working to an agreement with some loss of control or restrictions on how you operate the business.

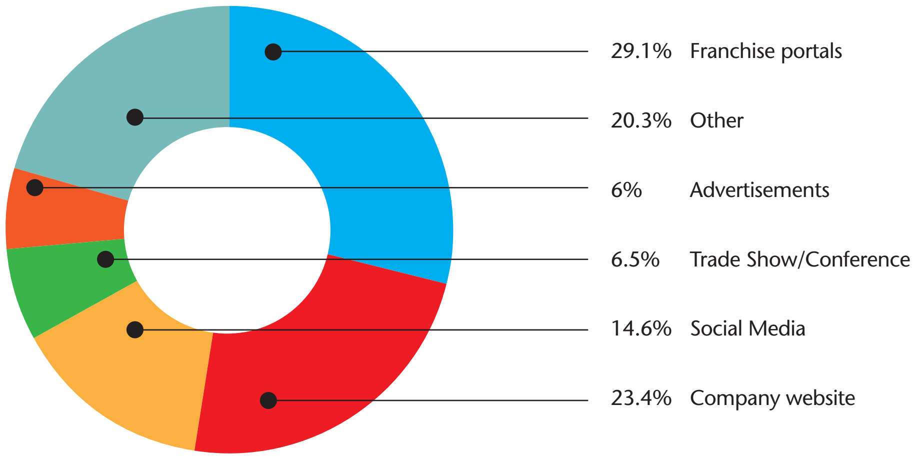
What is involved?

- Identifying a suitable franchise – selecting a product or service that you will be comfortable selling and that will sell well in your catchment area;
- drawing up an agreement – agreeing financial and other terms including marketing and training backup; and,
- starting up the business.

Teagasc
Agriculture and Food Development Authority

10: Franchises for Farms

Data based on "Leads by Source – 2020" FranConnect Sales Index 2020.



Where to find franchise opportunities

It's important to know where to look when searching for franchise opportunities. The top sources for franchise opportunities are displayed in **Figure 1**.

Farm franchises often sell farm equipment or software. See below examples:

- www.ryalls.ie – farm equipment; and,
- www.agrinet.ie – farm software.

Making a decision/drawing up an agreement

When you have narrowed down your options, financial and non-financial details become critically important when making a final decision:

- what are the terms being offered by the franchisor?;
- is the venture financially viable (preliminary budgets/cash flows)?;
- are you fully aware of everything that is involved?;
- if possible talk to existing franchisees;
- seek advice – talk to your accountant/financial institution;
- draw up a business plan for the chosen option;
- have a solicitor examine the contract of agreement; and,
- consider and have a contingency plan for the possibility that the venture may not work out as well as you thought – sales lower than expected, too much time involved, etc.

Starting up the business

Some general points to bear in mind include:

- operate to a business plan – Teagasc runs a number of courses throughout the year on starting up your own business and included in these is how to develop a business plan – see: www.teagasc.ie/rural-economy/rural-development/innovation/;
- keep the business separate from the farm or other sources of household income – it has to stand on its own; and,
- continually monitor performance.

Establishment costs and profit margins

Normally a franchisor will require an up front, once-off fee for granting an exclusive 'territory' for a specific time period. Subsequently, the franchisee will have to pay an annual fee – typically a percentage of turnover. Other establishment costs will depend on the business. Some ventures will require relatively little start-up costs – a suitable office, a car, clerical backup, etc., may already be available and very little working capital may be required. Other businesses will require substantial start-up costs. As with any business the final profit margin will depend on sales, cost of capital, running costs, etc. A business plan including detailed projected cash flows is essential.

Developing your own franchise

For those with an existing business or genuine business idea, there is the possibility of becoming the franchisor or selling the concept to others. The advantage is that it facilitates expansion of the business without much of the associated costs or risk.

Design by ThinkMedia.ie

Further information

For further information, please contact
Dr Alan M. Hurley,
Teagasc Grange, Co. Meath at:
+353 (0)46-906 3018
alan.hurley@teagasc.ie

The following resources are also helpful:

- www.irishfranchiseassociation.com
- www.thebfa.org (British Franchise Association)
- www.franchiseeurope.com
- www.franchisedirect.ie/blog/

Fact sheet produced by Dr Alan M. Hurley, Teagasc Grange, Co. Meath.

www.teagasc.ie/ruraldev

teagasc
Agriculture and Food Development Authority

www.teagasc.ie