



The benefits of a franchise

When buying a franchise you are paying for the rights to run a business with an established name, marketing and operating procedures and provides a new business owner guidance and assistance from the start. It also means you need to follow the franchisor's system of running and marketing the business

Understand the different systems of franchising

Cleaning Franchises General

Franchisees are granted the right to service within a specified territory or at a specific location, generally with the use of the manufacturer's identifying name or trademark, in exchange for fees or royalties.

Ace cleaning services have very few limitations on area, full use of our 68 year old brand and pay a flat rate monthly service fee.

Understanding a Royalty based franchise

The franchisee pays the franchisor a percentage of every dollar earned. Normally monthly, this will relate to the gross business turnover.

Benefits: Small repayment while business is growing.

Issues: Delays in receiving income, under this system the franchisor needs to invoice the client, receive the payment, deduct the franchisee royalty and then pay the franchisee. This can take between 30-90 days.

Impost on business growth. As your business grows so does the royalty payments

Hard to manage cash flow as your royalty payment will fluctuate with business turnover.

Understanding a Set service fee based franchise

The franchisee pays a set fee each month

Benefits : Immediate invoicing/payment from client upon work completion provides better business cash flow.

Easier to manage cash flow, a set fee does not change with income so the monthly payment remains static

Cost diminishes over time the set fee generally does not change for the term of the franchise

Tasks before you commit

Do your research

Explore what are the franchising opportunities that's available currently. Be wary of franchisors who make inflated franchise-income claims. The Australian Competition and Consumer Commission publishes a [Franchisee Manual External link \(opens in same window\)](#) which offers a useful guide on what to look out for when considering buying a franchise and gives in detail what is franchising, and what you need to look out for when doing your research and verifying the franchisor's claims. The [Franchise Council of Australia External link \(opens in same window\)](#) also offers a good set of guidelines on what to look out for.

Make sure the franchise does not just provide you with client leads alone but provides the skills and training to take control and develop your business at the pace and size you want. Although this sound good and is important, it is never advisable to rely solely on one source of work and income. You need to be able to take control and have the skill set to do so.

Work out your finances

Buying a franchise requires a substantial franchise and set-up fees - determine how much you will need and work out if you need to raise funds.

Request further information

Once you have decided on the particular franchisor that you will buy from, request for the franchisor's Disclosure Statement. It is a legal requirement under the [ACCC Franchising Code of Conduct External link \(opens in same window\)](#) for all franchisors to provide specific information to potential franchisees to help them in the evaluation process. The Disclosure Statement will contain financial information, past and projected

financial performance, market reputation and information on previous and current franchisees and any disclaimers.

Get advice

Speak to current franchisees in the system and ask them questions such whether they're making a profit, any hidden and unexpected costs, have they recovered their investment, and the level of training and marketing support the franchisors provide.

Get legal and financial advice from franchise lawyers and accountants before you commit to the franchisor.