

If your social enterprise has enjoyed great success and has proved profitable, you may be looking for ways to continue its growth and ensure that more people benefit from your service. Branching out through social replication and franchising is one consideration.

What exactly is social replication and franchising?

Replication is where the social enterprise business model is copied to help speed up the growth of the business.

Franchising is one of the better known ways to replicate a business model. Many high street coffee shops and fast food chains are franchises. Social enterprises can enjoy the same success.

Franchising enables a successful business (the franchisor) to build up a presence nationally or internationally without having to invest as many resources to build up a chain. An entrepreneur, or franchisee, pays or enters a contract with the franchisor to trade using the franchisor's established business model and brand.

Why replicate your business model?

The social entrepreneur must be clear on why they want to replicate their enterprise – is it to spread social good or is it for income generation?

Spread social good: You may be motivated to start spreading your business model to as many people as possible because your business model is generating a lot of positive change. You may have no expectation of generating any form of income but it is still possible to make some money. For example, other organisations may be prepared to pay for training or consultancy to help implement your model.

Income generation: You may want to spread your concept but also want to generate an income from this. To generate money, you will need to find people who will pay to use your business model.

Advantages of social replication/franchising

For the franchisor

- a rapid expansion of the business model
- increased promotion of the brand
- increase in social impact
- building relationships with like-minded organisations and people
- additional revenue streams
- low risk expansion

For the franchisee

- safer investment as the business is based on a proven idea
- support from the franchisor

- benefit of an established brand
- a network of other franchisees to share ideas with
- easier to get investment for a proven brand

Challenges of social replication/franchising

For the franchisor

- Time and money will be spent building a toolkit for franchisees
- Resources are needed to continuously monitor the success of franchisees
- It can be hard finding franchisees that fit your organisation's culture
- You may become overstretched managing franchises and your own organisation may suffer as a result.

For the franchisee

- The other franchisees may not deliver on quality causing your branch to suffer. Make sure you research the other franchisees involved first and check for quality.
- Start-up costs to obtain and start operating a franchise.
- The franchisor may cease operating – make sure your contract covers this and be aware of what the consequences are

Steps for social replication and franchising

- First, you must understand what it is that makes your business model successful both socially and financially in order to sell your idea to franchisees. Our [Business Planning Tool](#) can help you do this.
- Make sure that everyone in your organisation is committed to replicate. Chief executives and boards can become precious about allowing other people the use of the brand, seeing it as a loss of control.
- Ensure that there is a need and demand for your business model elsewhere.
- Establish a package/toolkit of all the processes and intellectual property that allows franchisees to set up their own branch easily.
- Obtain legal contracts and ensure ongoing legal support
- Search for, engage with, and commence negotiations with potential franchisees
- Have training and support facilities available for the franchisee, which will be demanding especially at the start of their venture with you
- Create a marketing plan for franchisees to implement
- Potentially assist the franchisee with obtaining finances to purchase and implement the franchise
- You will need to monitor the franchisee for quality, social impact and financial return and you will need to consider how you will do this

Who are your franchisees?

Franchisees can come in many forms:

- It could be another organisation that is already owned by you, the franchisor
- It could be an organisation owned by you in partnership with another organisation
- It could be a new person or organisation

It is important is that you and your franchisee share the same values.

How to attract your franchisee

To attract investment from other organisations, all successful social replications/franchises should have:

- A successful business model that creates positive social change and will potentially generate some income
- A unique product or service
- An established brand that people will want to be associated with
- A package/toolkit of all the processes and intellectual property that allows franchisees to set up their own branch easily

You must be careful that you do not mistake your passion and goodwill for a good business model.

What type of agreement can you have with your franchisee?

The type of agreement you choose will depend on how much control you are going to retain over the business model and brand.

Licensing Agreement – this agreement works well if you are looking for a resource-light form of income and you are not concerned about controlling the business model or intellectual property. The agreement will be for a certain period of time and will involve payment for the use of intellectual property. The franchisee has a good degree of flexibility in how they use the intellectual property and you will have none. They may not even make use of your brand.

Franchising agreement – this agreement gives the franchisor much more control and protection over the business model and brand. It is set for a specific period of time and gives strict outlines as to how the franchisee can use the brand and intellectual property. The franchisee must pay to use both. Reasons to terminate the contract if the franchisee does not meet the franchisor's requirements will be included. As a social franchisor, you may want to safeguard the social impact associated with the intellectual property and you will need to build this into the contract.

If using a franchising agreement, the franchisee will need assurance that continuing support from you will be available to them. They will want to know that the brand will

continue to be promoted and that other franchisees are also regulated so that the brand is not damaged.

Further information

For further information on social replication and franchising please visit:

- British Franchise Association – www.thebfa.org
- European Social Franchising Network – www.socialfranchising.coop
- Social Enterprise Coalition – www.socialenterprise.org.uk
- Unltd – www.unltd.org.uk
- School for Social Entrepreneurs – www.sse.org.uk