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Quatre Curly Wurlys s'il vous plaît

A company specialising in British fare for expats and Anglophiles is looking for new franchisees to take it further afield. Victoria Taylor reports

CASE STUDY

LIFE may be tough in credit crunch Britain but with the housing market in meltdown and sterling close to parity with the euro, for many the idea of upping sticks to warmer climes is simply not an option.

This makes for a challenging situation for Thomas Green's, a grocery chain aimed at Britons living overseas who crave "best of British" brands on their doorstep. Thomas Green's was launched in 2004 in partnership with Nisa-Todays, Britain's largest grocery buying consortium, which exports up to 1,500 lines to each of Thomas Green's 12 franchise stores and has up to 15,000 products available for each franchisee to choose from. In addition, for special occasions such as Burns Night, Thomas Green's sources one-offs for its shopkeepers such as Macsween's haggis.

The first store opened in The Hague, in Holland, four years ago with others following in France, Spain and Portugal. But with fewer Britons able to sell their homes to fund a move to continental Europe, Thomas Green's is caught between a rock and a hard place. Not only is its pool of potential customers growing less quickly than it would like but there are fewer people looking to start their own franchise business.

"The key issue is finding franchisees who are suitable for the best locations," says Philip Evans, managing director of Thomas Green's. "People are worried about whether they have the capital. The flip side to this is that people already living overseas, who are interested in becoming franchisees, can buy products more cheaply from the UK at the moment. And French demand for British brands is surprisingly strong."

While the fall in the number of people looking to move overseas is not helpful, Evans says the best franchisees are often those who

are already well established in a location. "It is often better to find someone who has already moved overseas, rather than someone who is about to. It has to be someone who knows the local market and it is helpful if they are bilingual," he says.

Perhaps, most importantly of all, Thomas Green's franchise candidates must be budding entrepreneurs, people who would relish the prospect of setting up a new business. They also need around £100,000 of start-up capital, with Thomas Green's then providing access to its supplier network, retail IT systems, branding and marketing resources.

Given a sharp rise in the number of businesses going bust in Britain it is understandable



It is better to go for someone already overseas than one who is about to move



that potential franchisees are cautious.

In an attempt to raise its profile and lure potential franchisees, Thomas Green's exhibited at The France Show at Earls Court in January. "We have to spread ourselves widely," says Evans. "Out of 100 people who are interested you might find only two are suitable."

Evans says the show was a resounding success. "France is becoming an increasingly important market for us and we got 163 new people on our list as a result of the show. Only a fraction of those are likely to come through and do anything about it, but even if we get one or two it will have been worthwhile."

Evans hopes to expand Thomas Green's to 50 outlets over the next five years. "I had set a shorter



Philip Evans says French demand for British brands is surprisingly strong, with Curly Wurlys especially popular

target, but that won't be possible the way the market has gone," he says. This is clearly frustrating. Thomas Green's currently turns over around £2.5m a year and Evans is convinced it has the potential to be much bigger.

Another issue is finding the right stores in good locations at affordable prices. Most of the existing shops are small – around 100 sq metres – but Evans wants to open larger outlets of around 500 sq metres.

"We think shops in central locations in big cities could be much bigger and that would be a step change for the business," he says. He adds that all the shops are profitable and that top franchisees can expect to make up to a 20pc return on their investment.

Thomas Green's encourages its shopkeepers to launch an online delivery service for customers as a way to boost returns. "It is an important element of the business as there are always some customers you can't reach through the store alone. And online sales tend to generate a bigger basket – around £60 per shop, compared to £15 to £20 in-store," says Evans.

He takes a pragmatic approach to current market difficulties yet remains convinced that expats, as well as a growing band of indigenous shoppers, are enthusiastic about British brands.

"We try to stand out from the crowd and be a bit different," he says. Best-selling products range from fresh bacon, crumpets and scones to Walkers crisps, Cadbury's Creme Eggs and Curly Wurlys – which are especially popular in France.

Evans knows that his expansion plans rely entirely on the confidence and disposable income available for European consumers and British expatriates, and whether the flow of Brits looking to live abroad and run a business there picks up.

For the moment, he is happy to expand slowly – with the right franchisees operating stores in the best locations – rather than take unnecessary risks.

What's new for club members this week

Latest masterclass

Shetland-born solicitor Brian Inkster decided he could offer a better service to his clients by moving to Glasgow to open his office. It seems to have worked. In the past two years Inksters has seen profits grow by 80pc. In Scotland, lawyers can also act as estate agents and Inksters has made itself prime choice for Shetlanders looking to sell by ensuring it runs a website that allows would-be buyers to browse by postcode – something out of the ordinary in Scotland where most homes for sale are on a central website. Go to the Video Masterclass section to learn more.

Win coaching sessions

Win one of five business coaching programmes from Action Coach, each worth £2,495. Runners-up will win one of 100 one-day planning seminars each worth £295. Go to the competitions section for details in this free to enter prize draw.

TalkBack roundup

If you've got a view on the challenges facing the businesses profiled, why not log on to TalkBack and have your say? Penny Haywood Calder did so after reading about paintball firm Bedlam looking to expand. "It's a superb time to be looking for land when developers are demotivated by depressed prices," she said.

Shropshire Spice was looking to break into the US market but was unsure where to start. Export consultant Jonathan Marsh advised owners, husband-and-wife team Robert Bulpitt Fiona Mulroy, to go on the British Chambers of Commerce partially-funded Export Marketing Research scheme. "That will give you information on how to apply for a grant towards a visit to the market. Nothing better than talking to people face-to-face to find out what's going on and to get information."

Butcher Roger Topping was planning to sell his pies into major supermarkets. Boyd Butler suggested sponsoring a TV programme. "He knows his market. He knows his message. He needs to know his media. This could swing the deal with the supermarkets (along with 1,000 customer testimonials and proof of sales from his regional customers)," he said.

Michelle Bray recommended investing further in an e-commerce system. "With increased customer awareness and orders for the products from all over the UK, the pitch to supermarkets is strengthened as Toppings can provide proof of consumer demand."

Ms Bray also had advice for Sue Stedman who wanted to expand her workwear design company. "You want accounts that have volume production, less demands on cutting/special size requirements and thus, less slow-moving stock lines. I know from experience what can happen through over-expansion, having lost a lifestyle corporate leisure-wear business. Don't make the mistakes I did."

Amsterdam prize

There is still time to enter the competition to win two nights' accommodation for two at a luxury Amsterdam hotel, flights and dinner, courtesy of boutique hotel specialists Mr & Mrs Smith. Simply go to the website and take part in the survey on the issues facing small and medium-sized businesses.

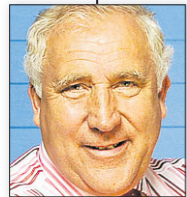
EXPERT VIEW

John Timpson

Chairman, Timpson

Philip Evans has got his hands full. It's a tricky time to expand any business but even in a boom the Thomas Green format will face plenty of pitfalls. Evans may find it tough to get the financial backing he needs to fund his ambitions.

Running a retail chain based solely in Britain is challenging enough – controlling shops spread throughout continental Europe is a potential nightmare. His merchandise and future franchisees might be British but his company must cope with



many different cultures. Local property law and employment legislation can be very different from the UK. It will help having expat franchisees that have already gone native (as long as they have the right personality).

Despite all the obstacles in the way of success, Evans has a good business idea. If his first flock of franchisees produce enough profit to make a serious living he could have found a niche with real prospects but the first few years could be tough. He will have to put in thousands of miles constantly visiting every shop to keep in touch with events.

David James

Director, Henley Business School

Businesses with strong and viable business models will thrive, those built on sand will fall. I think Philip Evans needs to re-examine his customer base and move away from expats who've been hit by sterling's weakness.

This involves looking at new distribution partners as well as new customers. Route to market is key and the current one is experiencing blockages.

Why not turn things on their head? Start importing foreign foods into the UK. Using its franchise skills and model, Evans



could explore opening country specific stores in regions of the UK where there is a significant overseas minority. This overcomes the insurmountable problem of sterling's current weakness and exploits the strong business model he has developed, just in reverse.

An alternative is to start exploring sales to the local community in each market where it operates.

This will need to be done via local distributors and involve some communications work. Evans should explore selling into hotels where there is a distinctly British clientele.

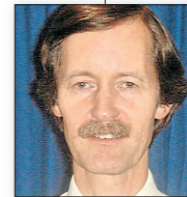
John Gleave

Vice-consul, British consulate, Lille

France offers potentially fertile ground for Thomas Green's. Franchising is a highly developed form of retail business there.

The number of franchise networks (over 1,000) has grown by more than 10pc in each of the last three years and, according to the French Franchise Federation, annual turnover from franchises is £45bn (£40bn).

Nevertheless, finding the right franchisee – someone fully bilingual, with retail experience, who understands British foods –



will not be easy. The exchange rate trends contributing to the decline in the core expat market can change, but to be truly profitable it is to the indigenous French consumer that Philip Evans should look.

A taste for British foods among the French is rising, fostered by increased traffic between the UK and France, led by the Eurostar rail service.

Add to this better UK produce, and the number of people returning to France from jobs in the UK with a liking for British brands, and you have a growing consumer base.

GLOOM BUSTERS

Bespoke designer proves jewellery can be a rock solid enterprise

HARRIET Kelsall is seeing steady growth at her bespoke jewellery business. The company designs and makes rings and dress jewellery and, despite the downturn, business is booming. "This year will be better than last. Sales in January alone were up 7pc on the same period last year," she said.

"I think when times are hard people focus on those things that are really important to them – either getting engaged or just buying a necklace to say 'I love you'," she said. "Maybe there is an element of that behind our success. On 9/11 – the day itself – we saw the most phenomenal peak, five times the normal hits to the website. It was the same after the July 7 bombings and we are seeing the same now."

"As a rule you are supposed to spend two or three months' salary on an engagement ring. It's supposed to hurt a bit – it shows commitment! But people now are looking to spend a little less but still want a quality ring," said Kelsall. "Most people are spending £2,000 to £3,000 but want to make sure that they get a bit more for their money."

"We have just finished a £30,000 ring. Imagine walking down the street with that on. But it has a beautiful diamond. But that's not the norm."

Despite the premium prices, Kelsall is expecting the growth she has seen over the past 10 years to continue. With some 100 commissions a month, and prices ranging from £700 upwards, Harriet Kelsall Jewellery Design saw income of



A girl's best friend: Harriet Kelsall

£1.2m last year. This year Kelsall is looking at £1.4m. "We carry no debt," added Kelsall. "We have grown through retained profit."

It's the same story for the off-the-shelf dress jewellery, which sells in the more modest £30 to £40 bracket. "We are getting several orders a day and that's weird. I can understand people still wanting an engagement ring but we have never had orders like this in January before for dress jewellery. Perhaps people are updating their jewellery rather than buying a new wardrobe."

Kelsall said she also has customers who see designer jewellery as an investment, as a sound alternative to placing their funds in banks or shares. Working from a barn in rural

Hertfordshire, with a shop in Cambridge, the firm employs 24 – a mix of designers, goldsmiths and project managers.

She was quick to latch on to the internet as a sales channel. Soon after starting she launched a website so customers further afield could see the designs and place orders.

"That was in 1996 and I saw this 'internet thing' was good. I was lucky to be in fairly early on as it's helped us to keep a good position in Google," she said.

"Gold prices are shooting up and diamonds are priced in dollars so our costs are rising because the pound is falling. We are absorbing some of that in our margins but prices are having to rise."



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