

Franchising Budgens



Owned by parent company Musgrave of Ireland, Budgens employs more than 6,000 staff at over 170 stores across the country, mainly in the South East. Its stores range from 2,000 sq ft to 10,000 sq ft and serve more than 80 million customers a year.

In 2004 Budgens took the strategic decision to focus on wholesaling rather than retailing, converting all its corporate stores to franchise operations. They therefore approached all the major clearing banks including The Royal Bank of Scotland (RBS) and asked what kind of solution they could offer.

RBS Director of Franchising Tim Bowyer said: "They wanted their chosen bank to work with them on a partnership basis within strict timescales. They were looking for a solution that would offer them complete certainty, so making it easier to recruit franchisees. They wanted to know exactly what the costs would be – the legal and security costs, the terms of debt, the interest rate margin, interest rate hedging, streamline costs and so on.

RBS risk assessed the business and recommended a solution to suit Budgens' business and the marketplace. Soon after the contract was signed with Budgens in 2005, RBS proposed funding packages for a number of their franchisees, and to date 20 franchisees have taken advantage of the RBS franchise package. So far the Bank has completed 20 deals, each worth between £2m to £3m. The remaining stores will be converted over the next four years.

Dan Quest, Head of Commercial Development, Musgrave Budgens Londis commented: "RBS has made the whole process extremely straightforward. We're able to tell potential franchisees exactly what funding package they will receive and refer them to RBS with complete confidence."



Budgens was also impressed with the weight of the Bank's experience in this sector. RBS was the first UK bank to set up a franchise team which has more than 25 years experience. Furthermore, they liked the specialist team of relationship managers, who have first hand knowledge of the franchising sector. Tim Bowyer said: "Once we have completed a deal with a franchisor, they are not passed to mainstream commercial relationship managers. Instead, they are assigned to our 12-strong franchising relationship management team based in the West End."

Dan Quest further commented: "We are experts in the convenience store business, not in franchising, so when we decided to convert all our stores to franchise operations we wanted a partner with considerable experience in franchising who could point out potential pitfalls and help us avoid them. Right from the start, it was obvious RBS would be able to do this and we look forward to working with them and strengthening our relationship over the coming years."

"RBS has made the whole process extremely straightforward. We're able to tell potential franchisees exactly what funding package they will receive and refer them to RBS with complete confidence."

Dan Quest, Head of Commercial Development, Musgrave Budgens Londis

To find out more about how
The Royal Bank of Scotland supports
businesses in this sector, contact
Tim Bowyer, Head of Franchise.

www.rbs.co.uk/commercial