



Welcome to FranChoice . . .

# A STEP-BY-STEP GUIDE TO FINDING THE RIGHT FRANCHISE



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# IS IT TIME FOR A CHANGE?

*Follow these steps to choose the right franchise opportunity for you!*

## STEP ONE – UNDERSTANDING FRANCHISING

The franchise business model, which has been around for centuries, has grown rapidly in popularity, particularly since the 1950s. The reason for the growth in franchising is very simple: It works.

### Why Franchising?

- A fantastic opportunity to go into business for yourself
- A business already established for your benefit
- Provides you with branding, trademarks, marketing/advertising, processes, products, systems, services, operations manuals, a peer group of fellow franchisees and ongoing corporate support
- Allows you to totally change careers without starting at the bottom!

Growth in the franchising industry has exploded for many reasons:

1. High profile lending institutions have recognized franchising as a credible, profitable means for delivering goods and services in many industries
2. It is an extremely efficient manner of delivering a product or service
3. Many new franchise opportunities are created all the time – at the rate of dozens per month!
4. Customers trust the quality and service provided by a franchise
5. Group buying power means both the customer and franchisee save money
6. Corporate advertising, computer systems, accounting and sales support.

Several thousand different franchisors exist today in a variety of different industries, including:

Automotive	Building and Construction	Business Services
Children	Computer	Food / Beverage
Health & Beauty	Lodging	Personnel
Pets	Printing	Real Estate
Retail	Sports and Recreation	Travel

## **STEP TWO – DO YOU HAVE WHAT IT TAKES?**

Have you ever wondered if you have the personality and skills to be a successful franchisee? There are over 2,500 franchise companies operating in the US, each requiring a plethora of different skill sets in a franchise owner. But there are a few key characteristics that you should be aware of to determine if franchising could work for you. Are you cut out to be a successful franchise owner? Consider the following:

### **Capital**

This is one of the first hurdles you'll encounter when trying to qualify for a particular franchise. Most franchisors have a minimum net worth and liquid capital requirement for their franchisees. While this may seem obvious, there are other demands on cash availability beyond the initial costs of the franchise – such as the length of time it will take your business to start making money and the living expenses you will have during that time. There are financing options available that may help you qualify if you are short of capital.

### **Making Connections**

A successful franchisee needs good interpersonal skills. Seem obvious? Well think about this carefully. In your current and past jobs, did you really enjoy working with people?

A franchisee will need to manage employees and work to retain them. You'll have to build good-will with your customers and gain their loyalty and trust. In many cases, a franchise owner's role will be to make community connections by joining civic organizations and networking with various groups.

If you are truly a people person, you have one of the most valuable assets to successful franchise ownership.

### **Following a System**

Many people think being your own boss requires you to be a true entrepreneur, someone who wants to take charge and challenge each step in the process.

That's simply not true for franchising. If someone has already done the work, tested the procedures and proven that a system works, a clever person will pay attention and follow that system. After all, following a system that works is the essence of franchising.

### **Willing to Ask for Help**

In the same vein, a good franchisee candidate is someone who will let the franchisor help and support them. At most franchise companies, there are teams of people who will train you in every aspect of the business. It is up to you to take the help and follow the advice. When you are successful, the franchisor is successful.

### **Doing Whatever it Takes**

There is just no substitute for hard work, particularly during the first year. A successful franchisee is someone who is willing to do whatever it takes to get the job done. They put in whatever hours are necessary to get the job done. They lead their employees by example.

### **Avoiding Risks**

Starting a business by yourself is taking a big risk. Buying a franchise reduces the risk. In fact, successful franchisees are typically risk averse. They want to minimize their risk as much as possible and so they choose a strong franchise system with a proven track record. If you love to take big, bold risks, franchising probably isn't for you. If you are careful and thorough in your franchise research so you know just what you are signing up for, then you have the stuff to triumph as a franchisee.

## **STEP THREE – KNOW THYSELF**

Before you start looking at franchises, take stock of the most important component of the equation – YOU.

- What skills, experience and interests do you have?
- Consider your past jobs and determine what you liked best and least about them; then make a list of your strengths and weaknesses.
- How much money can you invest and how much would you like to make?
- Are you comfortable managing others or would you prefer to work alone?
- Where do you want to work? Are you willing to relocate?
- What hours are you willing to work while the business ramps up and what lifestyle expectations do you have after the business is established?
- How do you feel about selling and the sales process?



By starting with a list of what you have to offer and what you need from a business, you can create a strategy and model for your research.

## STEP FOUR – INVESTIGATION OF FRANCHISE COMPANIES

You've started this process by understanding what franchising means and how it can help you own your own business. Next you evaluated whether you have the skills and personality to be both happy and successful as a franchise business owner.

Finally, you've carefully evaluated yourself and built an individual model that can be used to determine if a franchise opportunity has the components you want. You know what you need to find in a business to match your preferences and desires. You have a picture of what the future will be like for you as a business owner.

Now it is time to begin looking at individual companies. You can do this on your own by finding companies on the Internet and doing research, then narrowing down the list to those that seem to best fit your needs. Another way is to work with a franchise consultant who will narrow down the possibilities, giving you a short list of companies who match your skills and requirements. **Keep an open mind.** You may have your heart set on a particular opportunity, such as fast food, only to find you don't have the financial qualifications and the business won't provide you with the lifestyle you are looking to provide for yourself. Often a franchise consultant will suggest a company that you've never even heard of or would never have considered. Focus on finding the business that's a great fit for you, regardless of the particular industry, and you'll be more likely to experience both success and happiness as a franchisee.

Once you have found some interesting possibilities, the franchisor will provide you with overview information on the company (typically a brochure and video package). They will then ask you to provide them with additional information (by filling out a questionnaire) to determine if you have the general characteristics that they are looking for. Assuming that each party is still interested based on this information exchange, you will proceed to reviewing the company's Federal Disclosure Document, commonly referred to as the FDD.

The FDD is the Federal Trade Commission's mandated disclosure document that gives you a wealth of information about the franchisor. The form and composition of the document is standard with any franchisor and must include information on a variety of topics of interest to you. The major subject areas include:

1. The history of the franchise and its officers and directors.
2. A complete description of the business to be franchised.
3. All costs and fees that you will be subject to under the agreement.
4. All obligations of either party to the other during the term of the agreement and thereafter.
5. Any relevant litigation history of the company or its officers.

6. Any business failures, ownership transfers, franchise agreement terminations or other potentially adverse information relating to the success rate of the existing units in the system.
7. Audited financial statements for the previous three years for the franchise company.
8. A list of the existing franchisees.
9. A complete copy of the actual franchise agreement document is usually attached to the FDD but may be provided under separate cover at the option of the franchisor.

You should review this document carefully and make sure any questions you have are answered by the franchisor.

## **STEP FIVE – FRANCHISEE CALLS AND VISITS**

The most valuable source of information on any franchise system is the existing franchisees. You need to plan on calling and, when possible, visiting a number of the existing franchisees during your investigation. It sounds almost trite but whatever you find the prevailing attitude of the existing franchisees on any issue to be, it will almost certainly become your attitude on the issue as well if you decide to become a franchisee. Visit with a sufficient number of the existing franchisees to ensure you have a sense of the prevailing attitudes of the group.

Though you want to find the overwhelming majority of franchisees to be happy and supportive of the franchisor, it is important to try to find an unhappy franchisee during your investigation. When you do, not only listen to the complaints but also try to determine what makes this franchisee different from the rest. If you find you identify with the positive ones and feel the negative franchisee is not at all like you, then you should be fine. If you find that you are more like the person who is unhappy however, this is probably not the right franchise for you.

## **STEP SIX – MEET THE FRANCHISOR**

If everything looks good up to this point in the process of investigation, you will want to have personal meetings with key personnel of the franchise company. This might be possible in your local market or you may need to travel to the headquarters of the franchisor. Many franchisors facilitate this need by holding what are referred to as “Discovery Days.” These are structured events where you can go to a specified location and know that all of the key people from the franchisor will be available.

Be sure to get to know those people you will be working most closely with in the building of your business. We would expect the President of the company to be an impressive person but that’s not who will be answering your call when you have a problem. Find out who will be providing the operational support and training directly to you and form an

opinion about their competence. Make sure that any remaining questions or issues you may have are addressed at this meeting.

## **STEP SEVEN – MAKE A DECISION**

If you have been diligent, the entire process outlined above should have taken about two to four weeks to complete. You have now finished your investigation and have all the information you need to determine if this franchise is right for you. It either is or it isn't, and you'll know which it is. In either case, it is time to make a decision and move on. Use the model you developed for yourself to evaluate what you wanted in a business. Don't settle. If this company has everything you wanted, do it. If it doesn't, eliminate it and go on to the next one.

**Are you ready to take control of your life?**

FranChoice is a franchise consulting firm that helps match people with a franchise opportunity that best matches their needs, skills and interests. Working much like realtors, the experienced FranChoice Consultants guide and support potential franchisees through the process of choosing a franchise business that's right for them. The service is *free* to candidates and there is no obligation. Fees are paid to the consultants by the franchisors.

FranChoice was founded in 2000 and since that time has helped to place thousands of entrepreneurs in their own businesses. We look forward to working with you!