

# Questions to Ask Franchisors

Finding the right fit with a franchise is important to your prospects for success. Here's a list of questions you should ask a potential franchisor before entering into any kind of agreement.

## I. Competitive Advantage of Product/Service

Ask the representative what makes this business more attractive to you, as an owner, and more attractive to a customer:

How is your system better than competitors?

Who are the competitors?

How does your business match up?

## 2. Time Tested, Standardized Franchise System

Ask the representative to describe in broad terms how the system works, how long they have been at it, and what improvements they have made recently. Ask them to describe the system.

How long have you been franchising?

How many franchise units are currently operating?

How many units have closed in each of the last three years? Why?

How many units have been transferred or sold in each of the last three years? Why?

How many units have you opened in the last three years?

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## Questions to Ask Franchisors (continued)

How many units do you plan to open in the next three years?

What is the function of the business?

What is the function of the owner?

What is the initial investment?

What do you get for that investment? Describe any fees you have.

Do you have an earnings claim? If so, what is it?

What improvements have you made to the business recently?

### 3. Franchisor Support

Ask the representative to describe the support: Initial and on-going training, 1-800 help lines, field support, annual meetings, local meetings, purchasing, marketing, promotion, etc.

Describe the support you provide to franchisees.

What is the initial training like? How long is it?

What support is available after the business is open?

What kind of continuous support is provided?

What will I hear from franchisees on this subject?

# Questions to Ask Franchisors (continued)

## 4. Financial Strength and Management Experience

Ask the representative to comment on both of these areas. The Franchisor's comments will help you to understand the FDD when you have the document.

In layman's language, describe the financial strength of the franchise.

About how much revenue comes from initial franchise fees?

How much from royalties?

Is the franchise publicly traded?

How has the stock performed?

## 5. Mutuality of Interest Between Franchisor and Franchisee

Tell the Franchisor that you will be asking franchisees about this, but you would like to hear feedback, and also what you might expect to hear from the franchisees. Of course, what you want is a system where the two interests are locked together:

How will the franchisees describe their relationship with the franchisor?

Is it supportive? Is it combative?

Have there been any lawsuits or arbitration?

What was the issue, and how did it end?

List any additional questions you may have here:

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