Selecting The Right Franchise

In the last column we discussed the question that many start-up small businesses consider...should I buy a franchise? Now let us assume that you have checked out your franchise options and decided to purchase a franchise. You have decided which one of the 75 franchising industries is right for you and have narrowed it down to maybe three or four different companies. The big decision now is to select the one franchise that is right for you.

My first advice is that business demands that we think with our head and our heart, but when doing research, the head must take the lead. You are risking your money, your time and your career, so the choice you make must be congruent with your lifestyle and needs. Researching each option is vital. Here are some simple suggestions.

1. **Contact the franchisor directly and fill out a preliminary application form.** This tells the franchisor you are serious and a viable customer for his franchise. You will likely have a series of interviews with the franchisor.

2. **Receive and review the company’s Franchise Disclosure Document (FDD).** Once the franchisor believes you are serious, they will send you a copy of the FDD which generally contains 23 important parts to review. The FDD very clearly defines what the franchisor will do for you and what they expect of you. You will probably want to have an attorney review the FDD; however, it is crucial that you understand every statement in each of the 23 parts.

   The Federal Trade Commission (FTC) protects franchisee prospects up until the point of sale, but once the franchise is purchased, the FTC looks upon the business as any other start up, so the FDD becomes vitally important.

3. **Visit locations and talk to existing franchisees.** This vital step will help you to determine the level of satisfaction of other franchisees in the system. You need to know if the franchisor delivers his promises and research is the best possible way to find that out. In addition, it gives you a chance to get an inside look at the business to figure out if you can see yourself in the franchise.
4. **Find answers to important questions.** What is the initial purchase price? What are the royalty fees? What kind of training and ongoing support is provided? You will most likely be expected to participate in a national marketing budget. What percent of gross is expected? How often do you get new marketing materials? Do you have sufficient funding for ramping up and maintaining until profits begin?

5. **Research the brand and operating system.** Will customers gravitate towards your product or service because they know the brand? Has the franchisor provided an operating system which has been proven successful and is easy to learn and use? Will being part of the franchise system help in competing in the market place? Will you be a part of a growth industry?

A good franchise situation is extremely valuable, but you must do a lot of research before you filter out the good, bad and ugly. The good can be very good and a very wise business decision. Remember that SCORE has over 10,500 volunteers ready to help mentor you, many of whom have franchise experience. Seek help from a SCORE mentor. SCORE counseling is always free and confidential. Good luck in your journey.

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Dean L. Swanson  
Southeast Minnesota SCORE  
c/o Rochester Area Chamber of Commerce  
220 South Broadway, Suite 100  
Rochester, MN 55904  
www.seminnesota.score.org/  
*Dean is a volunteer SCORE Mentor and District Director of SCORE Minnesota*