



## Is A Franchise Right For You?

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Making the decision to purchase either a private business or a franchise is an important decision when you start out to begin a new business venture. There are many choices, challenges, and many benefits to a franchise opportunity so it is vital to really understand the nuances before you sign on the dotted line.

Unlike a private business you are literally buying into a business structure with standards and practices that need to be followed in order to do business. If you are not one to "stay in the lines" a franchise might not be your best fit.

However, if you are in fact looking to step into a plan that is in place with corporate support so you are not going it alone, then finding a franchise opportunity that fits your personal and business values might be a great idea for you.



### Step 1: The Initial Interview

The first interview and presentation of the franchise concept is most likely conducted by telephone or video conference with a franchise sales representative. The franchise sales representative helps you understand who the franchisor is, what makes the franchise opportunity unique, and who makes a successful franchisee. (Though face to face meetings still happen in the early stages, they are becoming less frequent unless meeting at a trade show or exhibition) You both begin the process of determining whether or not this will be a good fit on both sides.

### Step 2: Qualification

At this stage, the franchisor will seek to gather and offer more specific details, including whether you have the financial capital to undertake this business venture. Create an open and honest dialogue with the franchise rep, so that they can advise you on a potential fit due to their insider's perspective on what it takes to create the best results in their particular system and environment.

### Step 3: FDD and Franchise Agreements Review

Most buyers at this phase conduct a business review of the terms and conditions of the FDD (Franchise Disclosure Document) to make sure that both you and the franchisor are in agreement on all major points. The FDD is a document the FTC mandates each franchisor to offer franchise candidates. Some states may require additional disclosure information in the FDD.

There are two ways to look at a FDD. The first is from a business perspective. Does the disclosure make sense? Can you live with the terms and commitments of the agreement? The second perspective is legal. You can bring the FDD to an attorney, though at this data-gathering stage, that might be premature and an unnecessary expensive.

Now is the time to become aware of what the business rules and commitments are and whether you're willing to live with them. If for whatever reason there are obligations in the franchise agreement you can't live with, it is wise to end the process here and move on to other opportunities. **A FDD is there to protect your investment from rogue franchisees whose actions could be damaging.**

### Step 4: Franchisee Research

Once you've made it this far, now is time to meet other franchisees, gather data, and compare the sales information with real life. Are franchisees profitable, happy, and ready to recommend the experience?



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This is a period of data gathering and analysis. Here is where you test the franchisor's systems and determine whether there is in fact a profitable business model positioned for the long haul. If the franchise appears to produce your desired lifestyle with a high degree of probability, it's time to invest in professional advice. You need to have a franchise attorney review your FDD and an accountant review your business plan.

**Step 5: The Yes/No Decision**

It's time to make up your mind about whether you design a new life and career of your choosing or to go on to another opportunity – it's decision time!



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