The Business Exchange®

CHECKLIST FOR BUYING A FRANCHISE

Seeking the right franchise for you does not have to be a daunting task, if you follow some simple guidelines.

In order for you to make an informed decision, here are three questions for you:

DO I HAVE

What it takes to start my own business/be an entrepreneur?
What it takes to be a franchisee?
All of the answers I need about the franchise that I am considering investing in?

To help you answer the first two, look in the mirror; do a self-assessment and ask yourself the following questions:

1) What are my core competencies?
2) What am I passionate about and really enjoy doing?
3) What are my skills and how can they be transferred into a franchise business?
4) How strong are my managerial skills?
5) What is my commitment level?
6) Do I have family support?
7) Am I more entrepreneurial, or corporate spirited?
8) How much cash do I have available to invest?
9) Do I have funds for working capital?
10) Do I have a fall-back position?

Once you have completed a self-assessment, narrow down your search to businesses that match your skill set and passion and look at brands that reflective your personality.

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The following checklist will assist in provide you with the information you need about the franchise to help you make the right decision:

FRANCHISOR

- [ ] How long has the Franchisor been in business?
- [ ] How long has the Franchisor been franchising?
- [ ] Is the Franchisor a member of the Canadian Franchise Association?
- [ ] What is the experience/depth of the Management Team?
- [ ] What is the Financial strength of the Franchisor?
- [ ] Does the Franchisor operate corporate units?
- [ ] What is the expansion strategy of the Franchisor?
- [ ] How many units has the Franchisor opened in the last 3 years?
- [ ] How many units has the Franchisor closed in the last 3 years?
- [ ] What is the Franchisee selection process?
- [ ] Do you like the people and are you aligned with their values?

KEY FRANCHISE TERMS

- [ ] What is the cost for a franchise?
- [ ] How much equity (cash) is required?
- [ ] How much working capital is recommended?
- [ ] What is the Initial Franchise fee?
- [ ] What are the royalties?
- [ ] What are the ad fund contributions?
- [ ] How long is the term of the Franchise Agreement?
- [ ] Can the Franchise Agreement be renewed?
- [ ] Can the Franchise Agreement be transferred?

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FRANCHISE SUPPORT SERVICES

- [ ] Does the Franchisor assist with bank financing?
- [ ] Does the franchisor assist with site selection?
- [ ] Does the franchisor assist with design and build out of the franchise?
- [ ] What does the initial training consist of?
- [ ] Is there opening assistance?
- [ ] What does the Franchisor do for marketing the brand?
- [ ] Does the Franchisor have designated suppliers in place?

RESEARCH

- [ ] Have you experienced the brand?
- [ ] Have you spoken to franchisees?
- [ ] Are the franchisees happy and successful?
- [ ] Are there many multi-unit franchisees?
- [ ] Are the franchisees brand ambassadors or brand assassins?
- [ ] Would the franchisee recommend the franchise to friends and family?

INDUSTRY INFO

- [ ] What makes the product/service unique?
- [ ] Would you buy the product or service based on its own merits?
- [ ] Do you believe in the product or service?
- [ ] What is the competitive landscape of the product or service category?
- [ ] What is the brand position within the category?
- [ ] What is the market demand for the product or service?
- [ ] Have unit sales been increasing or decreasing?
- [ ] How will technology influence the product or service?

INDUSTRY EXPERTS

- [ ] Seek the advice and services of industry professionals
- [ ] Engage a franchise lawyer to help you review the franchise documents
- [ ] Work with an accountant for a business plan
- [ ] Develop a strong working relationship with your banker

Once you have made the decision to become a franchisee, congratulations and best of success!

ABOUT THE AUTHOR



JEFF YOUNG

Jeff Young is an accomplished Franchise Expert and Developer that has helped some of Canada's top Franchise Brands in the fast service restaurants and retail sectors.
Jeff has an extensive experience in franchise development; real estate; franchise documentation; bank financing; and franchise relations.

ABOUT THE BUSINESS EXCHANGE

The Business Exchange Is Your Connection To Franchises And Businesses For Sale.

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