



## Buying a Franchise: Questions to Ask Franchisors

1. Competitive Advantage of Product/Service:
  - a. Ask the representative what makes this business more attractive to me, as a prospective franchise owner, and more attractive to a customer.
  - b. Who are the competitors?
  - c. How is the franchisor's system better than the competitor's?
  - d. How does the franchisor's business match up to the competition?
2. Time Tested, Standardized Franchise System:
  - a. Ask the representative to describe in broad terms how the system works, how long they have been using this system, and what improvements they have made recently. Ask them to describe the system.
  - b. How long has this business been franchising?
  - c. How many franchise units are currently operating?
  - d. How many franchise units has the franchisor closed in each of the last three years? Why?
  - e. How many franchise units have been transferred or sold in each of the last three years? Why?
  - f. How many franchise units has the franchisor opened in the last three years?
  - g. How many franchise units does the franchisor plan to open in the next three years?
  - h. What is the function of the business?
  - i. What is the function of the franchise owner?
  - j. What is the initial investment?
  - k. What does the franchisee get for that investment? Please describe any fees the franchisor has.
  - l. Does the franchisor have an earnings claim? If so, what is it?
  - m. What improvements has the franchisor made in the business recently?
3. Strong Franchisor Support:
  - a. Ask the representative to describe the support: initial and on-going training, 800-help-lines/website, field support, annual meetings, local meetings, purchasing, marketing, promotion, etc.
  - b. Describe the support the franchisor provides franchisees.
  - c. What is the initial training like? How long is it?
  - d. What support is available after the business is open?
  - e. What kind of continuous support is there?
  - f. What will I hear from other franchisees on the subject of training and support?

4. Financial Strength & Management Experience:
  - a. Ask the representative to comment on both of these areas: financial strength and management experience. The franchisor's comments will help potential franchisees to understand the FDD when the document is provided.
  - b. As plainly as possible (in other words, in easy-to-understand terms), describe the financial strength of the franchise.
  - c. About how much revenue comes from initial franchise fees?
  - d. How much revenue comes from royalties?
  - e. Is the franchise publicly traded?
  - f. If the franchise is publicly traded, how has the stock performed?
5. Mutuality of Interest Between Franchisor & Franchisees:
  - a. Tell the representative that you will be talking with franchisees about these issues to gather different perspectives and insights, and that you would also like the franchisor to tell you what you might expect to hear from these conversations.
  - b. How will the franchisees describe their relationship with the franchisor?
    - i. Is it supportive? Is it combative?
  - c. Have there been any lawsuits or arbitration?
    - i. What was the issue, and how did it end?
6. Any additional questions.