



Franchise Resales—Part I

Advantage and Disadvantage

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Some franchise candidates want to make their mark by starting a franchise business from scratch. Others prefer to skip the startup and purchase an up-and-running franchise business.

If you think you might be part of the latter group, here is some franchise information to consider before you get your heart set on this path:

- 1) Finding an existing franchise that is part of a proven franchise system, meets your needs, matches your skills, at a price you can afford, in an area where you want to live can take time. Going concerns that meet these criteria don't come along often.
- 2) You generally need to ante up more for a successful existing franchise than you would pay to build the franchise yourself.
- 3) Whereas franchisors can give you an idea of what it costs to start a franchise in Item 7 of the Franchise Disclosure Document, you frequently must rely on your own resources to determine the value of an existing franchise. You need to know how to value the business, or you need good advisors who are familiar with the business category or even with that franchise system.
- 4) Taking over an existing business can be a little like jumping on a moving train. The train is already going down the tracks. Your job is to figure out how to drive the train before it derails.

If you find a suitable franchise, there can be some nice advantages.

- 1) A successful existing business should already have a proven customer base you can rely on once you take over.
- 2) A successful existing business should also have a happy group of employees that know how to conduct the day-to-day operations of the business.
- 3) You should be able to assume the existing lease thereby eliminating the need to look for space and wait for the build-out to be completed.
- 4) You may step right into a positive cash flow situation.



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Over the years I have worked with many people. Most have an opinion in regard to whether it is best to pay a premium for a successful existing business or start a business from scratch. I can tell you that both approaches have their pluses and minuses. Remember that there are no free rides. If the business is successful, stable and profitable, it is going to cost more to buy and you will have a smaller upside. In other words, you are buying cash flow at the expense of growth potential.

On the other hand, if you start your own franchised business it may cost less with an easier learning curve but the ramp up to cash flow break even will take longer.

Which is the right answer? Well that is for you to answer. If you need advice, feel free to contact us at The Educated Franchisee.

Sign up for our FREE monthly newsletter at - <http://educatedfranchisee.com/signup.aspx>

The Educated Franchisee is dedicated to franchise education through the sharing of franchise information. Our objective is –

“To create educated franchise buyers that have clearly defined objectives and are able to recognize the right, or wrong, franchise when they see it. An educated franchise buyer will move into the franchisee role with their expectations properly set and will have a heightened potential for success within the franchise system creating a win/win for all involved.

To get more franchise information about how to stack the deck in your favor –

Visit our website at www.educatedfranchisee.com or

Purchase our franchise book – [The Educated Franchisee](#) by Rick Bisio, Franchise Consultant or

Contact author directly at rbisio@educatedfranchisee.com or call 941 778 4660.



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