



## Questions To Ask Franchisors

### **History, Competency**

1. What is the franchise company's history?
2. Who founded the company, and is the founder still involved?
3. Who are the officers of the franchise company? Their qualifications?

### **Experience**

1. How long have you been a franchisor?
2. What is your background/experience and how does it qualify you to be a franchisor?
3. How many company locations did you open before becoming a franchisor?
4. How many years were you in business before deciding to become a franchisor?

### **Goal Achievement**

1. What are your goals a franchisor?
2. How many Franchisees do you expect to have when your system matures?
3. Do you have a written vision statement? Can you share this with me?

### **Growth**

1. How big is the market for the company's products/services?
2. Is the market projected to grow in the future?
3. Who (i.e. analysts, etc.), other than the franchisor, projects growth for the market?
4. What is the future for the franchise company? What are the growth projections? What obstacles or challenges lie ahead and how will the franchisor tackle these issues?

### **Competitiveness**

1. What are the major benefits of joining the franchise network?
2. Does the franchisor save money for franchisees? If so, how?
3. What advantages do you have over your competitors in terms of meeting the demands and needs of your customers, or the marketplace?
4. Where is this franchise weak compared with its competition?
5. Does the franchisor use the collective buying power of the entire franchise to obtain discounts on supplies and/or inventory beyond what the individual franchisees could achieve?



## **Expectations**

1. How much is the investment in the franchise? How much is the franchise fee? The royalty? The advertising fee?
2. What costs, if any, are not included in the franchise fee? For example, is training included?
3. What is the hourly commitment per week? Why is it not more or less?
4. Can you define any difference between your initial investment and the description referenced in the UFOC?

## **Income**

1. Did you chose to offer an earning claim in Item 19 of your Franchise Disclosure Document? Why or Why Not?

## **Legal**

1. Are there any pending lawsuits against the franchisor?
2. If there were previous legal disputes between franchisor and franchisees, how were those disputes resolved?
3. Are there any bankruptcies in the backgrounds of the franchise company or its officers?
4. Is the franchisee protected by territorial limits or exclusivity?
5. What is the length of time for the franchise agreement?
6. Is the franchisee required to personally participate in the daily operations of the business?

## **Marketing**

1. Does the franchisor control the franchisee's advertising programs?
2. Can franchisees arrange their own advertising?
3. Does the franchisor provide advertising assistance to the franchisee?
4. Does the franchisor contribute to the franchisee marketing efforts? How?
5. How do you measure your company's advertising program effectiveness?

## **Performance**

1. What is the turnover rate of franchise units?
2. How many close each year?
3. Of franchise units sold, how many (if any) never opened?
4. How many are re-sold each year?
5. How many franchise units have failed in the last year? In the last three years?
6. Has the franchisor previously licensed a franchisee in the area that you are considering for purchase? If so, what happened to the previous franchise?
7. What's the biggest mistake that 1st year franchisees make? What would cause a franchisee to fail?
8. What separates higher performers from lower performers?

## **Relationship**

1. Is there a franchise advisory council and how effective is it?
2. How often can a franchisee meet with the president or chief executive officer?



3. Do you feel you have a positive rapport with the franchisees?
4. What do you like most/least about your being a franchisor?

### **Support**

1. Discuss your ongoing support systems?
2. How is the support provided? How often? How good is it?
3. What areas of your support program are you currently upgrading? Why?
4. What is your policy in regard to returning phone calls from your franchisees? How long would I expect to wait for a call back?
5. How could you most improve ongoing support?

### **Systems**

1. What manuals does the franchisor provide? Operations? Marketing? Real Estate? ...
2. Could I see the Table of Contents from these manuals?
3. How many pages are in the manuals?

### **Training**

1. How good is the training program?
2. Who conducts the training program?
3. How long does it last?
4. Where is it conducted?
5. Is there any additional expense incurred by the franchisee for training?
6. How well does the initial training prepare a franchisee for opening and operating this business?
7. How could the franchisor improve initial training?
8. What continuing training does the franchisor provide?

### **Your Questions**

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