

Seven Secrets to Buying a Franchise

There are great benefits to owning a franchise. You often can sell goods and services that have instant name recognition and can obtain training and ongoing support to help you succeed.

But be cautious before you sign on the dotted line.

1. Know How Much You Can Invest - A franchisor may tell you how much you can afford to invest or that you can't afford to pass up this opportunity. Before beginning to explore investment options, consider the amount you feel comfortable investing and the maximum amount you can afford.
2. Know What Type of Business is Right for You - A franchisor may attempt to convince you that an opportunity is perfect for you. Only you can make that determination. Consider the industry that interests you before selecting a specific franchise system. Ask yourself the following questions: Have I considered working in that industry before? Can I see myself engaged in that line of work for the next twenty years?
3. Realistically Evaluate Your Own Background and Skills - If the industry does not appeal to you or you are not suited to work in that industry, do not allow a franchisor to convince you otherwise. Spend your time focusing on those industries that offer a more realistic opportunity.
4. Take the Time to Comparison Shop - Talk to or visit several franchisors engaged in the type of industry that appeals to you. Get answers to the following questions:
 - ? How long has the franchisor been in business?
 - ? How many franchised outlets currently exist?
 - ? Where are they located?
 - ? How much is the initial franchise fee and any additional start-up costs?
 - ? Are there any continuing royalty payments?
 - ? How much?
 - ? What management, technical, and ongoing assistance does the franchisor offer?
 - ? What controls does the franchisor impose?
5. Get Substantiation for Any Earnings Representations - Some franchisors may tell you how much you can earn if you invest in their franchise system or how current franchisees in their system are performing. Be careful. The FTC requires that franchisors who make such claims provide you with written substantiation. Make sure you ask for and obtain written substantiation for any income projections, or income or profit claims. If the franchisor does not have the required substantiation, or refuses to provide it to you, consider its claims to be suspect.
6. Avoid High Pressure Sales Tactics - You may be told that the franchisor's offering is limited, that there is only one territory left, or that this is a one-time reduced franchise sales price. Do not feel pressured to make any commitment. Legitimate franchisors expect you to comparison shop and to investigate their offering. A good deal today should be available tomorrow.
7. Study the Franchisor's Offering - Do not sign any contract or make any payment until you have the opportunity to investigate the franchisor's offering thoroughly. The FTC's Franchise Rule requires the franchisor to provide you with a disclosure document containing important information about the franchise system. Study the disclosure document. Take time to speak with current and former franchisees about their experiences. Because investing in a franchise can entail a significant investment, you should have an attorney review the disclosure document and franchise contract and have an accountant review the company's financial disclosures.

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About the Author

Joan Yankowitz specializes in helping business owners realize their potential. Learn how to take the risk out of buying a franchise at www.howtobuyfranchise.com.