

10 Pieces of Advice to Follow Before You Buy a Franchise

1) Make sure you read and understand the disclosure document.

The Uniform Franchise Offering Circular will tell you everything you need to know about your potential franchise—from what will be expected of you to what you can count on the franchisor to provide. Read it. Know it. Ask your lawyer to review it with you if necessary. And if there are any points about which you are unclear, contact the franchisor to discuss them.

2) Meet with your attorney to review all contracts, agreements, and other documentation.

Don't assume you know what you're doing—you pay your attorney for legal expertise, and this is one time when you really should rely upon him/her. Have your attorney review your franchise documents, your lease agreement, and any other piece of documentation you're unclear about.

3) Understand your product.

This may seem like a given, but more than one franchise has failed because the owner didn't have an accurate understanding of what they were trying to sell. Choose a franchise for a product you're familiar with, or perhaps already use. It will give you a comfort level in your business, and it will provide you with an insight into who your customers are—and how you can reach them.

4) Visit the franchisors at their corporate location and visit your field representative.

Make sure you meet everyone who's involved with the management of your franchise. The person trying to sell you a franchise will be very skilled at his job, and may bolster your confidence. But make sure to get a "second opinion." Talk to other people in the company and verify everything you've been told before you sign an agreement. You'll also want to get to know the district supervisor you'll be working with. Find out how long they've been in their position, and try to assess their strengths. This is the person you'll probably have most contact with after you open your franchise, so establishing a positive working relationship now could be beneficial later. 5) Get everything in writing.

Since you'll be meeting the franchisor in person, they might make oral promises or explanations you can't document. If possible, record your meetings, or take thorough notes and summarize them at the end of the meeting. Ask for clarification in writing of any points that you can't verify. Don't let anything slide as uncertainties will only come back to hurt you later. 6) Contact current franchises.

Make the rounds and visit a variety of franchises in your area. You'll probably be given tours of several locations, so feel free to call owners back at a later date to get their opinion on the franchise. Find out how long they've been in business. Discuss any issues they've had with the parent company, and find out if they had a positive purchase experience. Also ask if they've discovered any tips to succeed they'd be willing to share.

7) Talk to the failures.

While the reasons why your fellow franchisors failed might not seem relevant, you can absolutely learn from their mistakes. Try to find original owners to hear their sides of the story, and see if you can establish a pattern of what went wrong.

8) Analyze your market.

As with all small business, you'll want to do your homework before you make any kind of decision. Check out the economy in your area and evaluate industry trends. Check out the competition. Can your franchise generate enough business to survive? Is the product still competitive? Do some research to make sure you're making a sound investment.

9) Don't start until you have enough money.

Franchisors often underestimate their costs. Not only will you need to pay the franchise fee, the lease, and employees, but also you'll want to have enough money set aside to cover opening costs. In addition, you'll need a reserve to hold you over until the company begins to turn a profit. Solicit the help of a good accountant to make sure you have your financial issues in order. You may need to apply for a loan.

10) Review consumer materials and create your own marketing.

It's important to understand the franchise brand and the way in which they market themselves to customers. Before you make a commitment, check out materials that are targeted toward customers. Then, establish your own marketing plan to reach and keep customers in your area.