



Questions to ask

your franchisors

COMPETITIVE ADVANTAGE OF PRODUCT OR SERVICE

1. Ask the representative what makes this business more attractive to you, as an owner, and more attractive to a customer.
2. How is your system better than competitors?
3. Who are the competitors?
4. How does your business match up?

TIME-TESTED, STANDARDIZED FRANCHISE SYSTEM

1. Ask the representative to describe in broad terms how the system works, how long they have been at it, and what improvements they have made recently. Ask them to describe the system.
2. How long have you been franchising?
3. How many franchise units are currently operating?
4. How many units have you closed in each of the last three years? Why?
5. How many units have been transferred or sold in each of the last three years? Why?
6. How many units have you opened in the last three years?
7. How many units do you plan to open in the next three years?
8. What is the function of the business?
9. What is the function of the owner?
10. What is the initial investment?
11. What do we get for that? Please describe any fees you have.
12. Do you have an earnings claim? If so, what is it?
13. What improvements have you made in your business recently?

STRONG FRANCHISOR SUPPORT

1. Ask the representative to describe the support: initial and on-going training, 800-help-lines, field support, annual meetings, local meetings, purchasing, marketing, promotion, etc.
2. Describe the support you provide franchisees.
3. What is the initial training like? How long is it?
4. What support is available after the business is open?
5. What kind of continuous support is there?
6. What will I hear from the franchisees on this subject?



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FINANCIAL STRENGTH AND MANAGEMENT EXPERIENCE

1. Ask the representative to comment on both the financial strength and management experience of the company. (The Franchisor's comments will help you to understand the FDD when you have the document.)
2. In layman's language, describe the financial strength of the franchise.
3. About how much revenue comes from initial franchise fees?
4. How much from royalties?
5. Is the franchise publicly traded?
6. How has the stock performed?

MUTUALITY OF INTEREST BETWEEN FRANCHISOR AND FRANCHISEES

1. Ask the representative what you might expect to hear from the franchisees about the interests of the franchise company for the franchisees. (Of course, what you want is a system where the two interests are locked together!)
2. How will the franchisees describe their relationship with the franchisor?
3. Is it supportive? Is it combative?
4. Have there been any lawsuits or arbitration?
5. What was the issue, and how did it end?

Please add any additional questions you would like answered by the franchisor. Having a list of questions, shows the franchisor you are a serious and thoughtful prospect – exactly the type they want in their business and it will give you good information in the critical areas of franchise selection, which will help you during due diligence.