

THE **ULTIMATE** FRANCHISE BUYERS

CHECKLIST



The checklist helped us make sure we had all the bases covered so we could feel confident in our decision to buy a franchise.

– Rebecca S.



The most important things you need to know or do **BEFORE** you invest in a franchise.

SMART FRANCHISE
INVESTING

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I created the **Ultimate Franchise Buyers Checklist** to make it easier for those new to franchising to ask the right questions and get the information they need to make a **smart** franchise buying decision.

I welcome you to leverage my 30-years of franchise industry experience and knowledge of hundreds of brands to help you identify those franchises that will help you achieve your lifestyle and financial goals.

My services are **100% FREE** to you - **no gimmicks!**

[CLICK HERE](#) - to schedule a call with me.

SECTION 1: Self Analysis

- Develop a list of financial goals. How much income do you want or need to make and by when? Set goals for each year, for the next 5 years.
- Develop a list of lifestyle goals. What's important to you today and in the future in regards to family, travel, hobbies, and other activities that make you happy. Basically, what does your optimum work / life balance look like?
- Create a list of your TOP 10 skills when it comes to business (i.e. sales, marketing, management, financial, etc.). It will help you as you attempt to match your skills with the right franchise business.
- Get clear on the reasons why you are seeking to buy a franchise and what you are hoping to "solve".
- Decide upon how much cash you are willing to invest and how much you will need to borrow.
- Have an initial call with funding sources to better understand the options (i.e. SBA loans, conventional loans, 401K rollovers, etc.) available to you.
- Create a spreadsheet of your average monthly personal expenses. Basically, make sure you have enough money to support your family as you launch your business.
- Speak to your spouse or significant other about your desire to go into business and make sure they are "on board".
- Create a timeline for when you would like to be in business.

SECTION 2: Your Franchise Search

- Create a list of the types of business (franchise) models that you are most interested in (i.e. food, fitness, automotive, senior care, home services, education, etc.).

- For each type of business, write down the attributes that are compelling to you. You may also want to include those things that concern you about that specific type of business.
- Learn more about having the help of a seasoned franchising veteran who will educate you and serve as your trusted franchise matchmaker. [Learn more.](#)

SECTION 3: Initial Franchise Review

- Know the financial requirements of the franchise in regards to Liquid Capital (cash) and Net Worth (all your assets - liabilities = net worth). If you don't meet their minimum requirements there is no reason to go any further.
- Initial investment range and breakdown of the cost associated with opening the franchise.
- Franchise Fee, Royalty %, National Brand Fund Contribution %, and any other fees that you'll have to pay to the franchisor.
- When was the franchise founded?
- How many franchise owners are open and operating?
- How many franchises have been sold and are not yet open? If the number is large, then you would want to know on how long, on average, does it take to open and how many are they opening a month?
- Is the territory in which you live (or reasonably close to where you live) available for franchising?
- What is the owners role in the business?
- Is this an owner operator business model or is it more of a semi-absentee model?
- What kind of money can one make? This is a tricky question and how the franchisor answers this will depend on whether they have disclosed this information in their Franchise Disclosure Document (FDD).

- ❑ How long does it typically take to get to break even? Keep in mind that you will be financially supporting the business and your living expenses until your hit break-even and .
- ❑ Outside of the “initial investment”, you need to know how much working capital you should plan for to successfully launch the business and get to break-even.
- ❑ How are average unit revenues growing from one year to the next? There is a metric called “same store sales”, which is a great indicator of the health and outlook of a franchise.

SECTION 4: Business Model

- ❑ Learn the operational procedures that have to happen to deliver the product or service? Basically, how does it all work?
- ❑ What are the staffing requirements to include: skill level of employees, salary requirements, full-time/part-time, roles, and benefits.
- ❑ Ask what the biggest operational challenges that are associated in operating the business model?
- ❑ Ask about vendor relationships and the benefits they provide.
- ❑ How are operational changes or updates made and what happens internally and at the franchise unit level to make sure implementation is timely and effective?
- ❑ Are there any risks of the product or service losing demand from lack of relevance, innovation, staffing, costs, procurement, or other factors?
- ❑ How much is the average ticket and customer frequency.
- ❑ What is the average gross margin? (gross revenues - direct costs = gross margin)

SECTION 5: Brand & Customers

- ❑ Ask to review the **brand standards** guide. This will help you understand how much the franchisor has focused on building and protecting their brand.
- ❑ Make sure you ask how the franchisor **positions** the brand compared to competitors. Learn what makes the business model unique in the eyes of the customer.
- ❑ Visit a location, posing as a customer to gain the actual customer experience. Take the time to speak with customers and ask what they like about the products or services and how often they frequent the business.
- ❑ Get permission to spend a day (or half day) working in the location. If it is a service company, perhaps you can ask the franchise owner to spend some time with you and perhaps ride along with a technician.
- ❑ Research customer reviews for the brand.
- ❑ Research the franchise company online for positive and negative feedback, press, or stories.

SECTION 6: Owner Responsibilities

Understand the owner plays in the following:

- ❑ Daily Management
- ❑ Staffing (hiring & firing)
- ❑ Financial Management
- ❑ Marketing Management
- ❑ Business Development & Outreach
- ❑ Market Expansion / Growth

- Determine if the business is an **owner operator** or **semi-absentee** business model.
- How many hours a week will be required of the owner?
- What do franchise owners love about the business?
- What do some owners find challenging about the business? And, why is that?
- What attributes does the perfect location include?
- Does the franchise have a national construction vendor or are local companies sourced?
- Are there any licensing or zoning challenges?

SECTION 7: Initial Training

- Ask for a detailed overview of the training?
- Are there separate fees or costs associated with the training?
- How are employees trained and what tools are available for employee training?
- Is there an employee manual?
- Learn how the franchise company provides ongoing training.
- Will there be any certifications of licenses required for the owner or staff?

SECTION 8: Real Estate & Construction

- How are territories determined (i.e. radius around a location, zip codes, households, businesses, target audience counts, etc.)?
- What are the franchise fees for additional territories? And, what does the development schedule require?
- On average, how long does it take to get open?
- Ask whether the franchise company has an in-house real estate team or if real estate is contracted out.
- Does the franchise use real estate analytics to select locations? If so, what is the criteria?

SECTION 9: Business Launch

- How does the franchise help a new franchise launch their business successfully?
- What marketing has to take place prior to, during, and post grand opening to make sure the business has immediate success?
- What is the typical marketing budget for the first six months of business?
- How does the franchise company prepare a franchisee for the launch and what role do they play?
- Do field support or leadership get involved in launching the business? If so, to what degree?
- What are the biggest challenges that new franchisees face when launching the business?

SECTION 10: Marketing & Business Development

- What marketing functions are the responsibility of the franchise owner? (i.e. social media, email marketing, local marketing, networking, etc.)
- Does the franchise have a national call center? If so, how does it work and what does it cost the franchisee?
- Do the franchise have marketing vendors in place? Who are they and what do they do specifically?
- Are you required to use the marketing vendors?

- What are the best practices for gaining positive reviews? Is there **third-party** technology partner or a being used or is it being managed in house?
- What is the franchise doing to help franchise maximize review acquisition?
- What presence does each franchisee have on the national franchise website?
- What is being done to optimize for local search?
- Ask what is the average marketing budget is in year one, year three and year five?
- What has been the most effective marketing strategies and/or tactics for new customer acquisition?
- Is there a formal loyalty program? If so, how successful has it been and how does it work?

SECTION 11: Technology

- What technology does the franchise use and is it proprietary (custom built) or a third-party solution?
- What operational benefits does the technology bring to the franchise location? Basically, what does it do and how good is it?
- Does the franchise have a custom App?
- What technology has been implemented to improve the customer experience and drive revenues.
- Does the monthly royalty cover technology or is there any additional fees?

SECTION 12: Ongoing Support

- How many support people do you have and what are their roles?

- What is the ratio between support people and franchisees?
- Ask if there are field support people that visit the franchisees at their locations on a regular basis.
- Learn what the backgrounds are for various key support people within the franchise organization.
- How do the existing franchisees feel about the support they get?
- What protocols does the franchise company have in place to help a failing franchise location?

SECTION 13: Franchise Disclosure Document

- Carefully read through the franchise disclosure document. Yes, all 200+ pages.
- Hire an attorney to review the Franchise Disclosure Document (FDD) and Franchise Agreement with you.

SECTION 14: Existing Franchise Owner Validation

- The franchisor will provide opportunities to speak with existing franchise owners. It is advised to find additional owners (not coached by the franchise company) to ask them about their experiences.
- Make sure you speak with a minimum of five existing owners and ask them candid questions.
- Visit locations where possible to meet owners and see the operation first hand. In person is always better because you can build rapport and feel more comfortable to ask the tough questions.