

# Road Map to Success

*Let FranNet be your guide for learning all the facts about having your own business*



**FRANNET**<sup>®</sup>

LOCAL. TRUSTED. FRANCHISE EXPERTS.

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# WHO IS FRANNET?

- Looking to start a business?
- Looking to escape office politics?
- Looking to be your own boss?

Thinking about opening your own business? Every person who comes to FranNet shares that common thought. Whether they are previous business owners or first time owners who have been out placed, downsized, retired, or are just ready to be their own boss, they are all saying,

*“There must be something better!”*

However it does not take long for the initial excitement to wane and feel confused and fearful. “Where do I start?” “What would I really like to do?” “Can I afford it?” “What are my chances for success?” As time passes, that list of questions grows longer. Unfortunately, random and unguided research does not help and actually can add to the confusion.

At FranNet, our goal is NOT to convince you that franchise ownership is the right thing for you. We have over 20 years experience helping people through the various decision-making processes that may lead to franchise ownership. A franchise is a strategy for gaining a competitive advantage in the market place. Your FranNet Consultant will use a proven process which has been used by thousands of people just like you.

## What we do:

1. Help you understand the pros and cons of owning your own business
2. Have you determine and document those lifestyle goals which you want a business to help you attain
3. Recommend franchise opportunities that may let you achieve those goals
4. Guide you through a process of due-diligence that will let you make an informed decision

What you are contemplating is a life-changing decision and should be treated as such. However, you are a long way from facing that big decision. Our process may help you decide that business ownership is NOT for you. If so, that is a positive step and you will never again have to wonder. We will work with you until you make a fully informed decision; whatever that decision may be.

Our proven methods are outlined in this brochure booklet. Please review it carefully and call if you have any questions. We look forward to helping you through this process and assisting you in achieving your career goals.

**No matter what YOU chose, we are here for you!**

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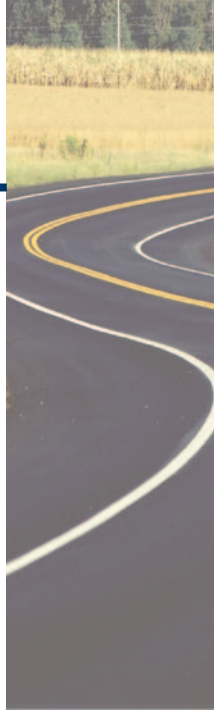
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# THE RIGHT WAY



## What Does It Take to Succeed?

Do I have what it takes to succeed in business? If you have never owned a business before, it surely is a question that is on your mind. Working with thousands of prospective business owners, here are the three fundamental elements of success that we have defined. The way to maximize your chances of success is to be as close to a ten as possible in each element.

### 3 BUILDING BLOCKS TO FRANCHISE SUCCESS

# 10 x 10 x 10

**DRIVE DETERMINATION**  
How Strong is your desire to own a franchise?

**BUSINESS SYSTEM**  
How Good is the franchise system offered by the franchisor?

**"FIT"**  
Will the business maximize my strengths, passions and experiences?

If you can be a 10 in all three elements you are batting a 1000! On the other hand a low score in any element may yield much lower results. Try plugging a 2 in any of the boxes and you do the math.

# = 1000



# THE RIGHT WAY



## DESIRE FOR GREATER INDEPENDENCE

While it might sound obvious to say it, the desire to own a business is perhaps the most important element. Other words that come to mind that describe this element are drive, the desire for greater flexibility, control of one's future, financial success, independence, etc. Business ownership can be very rewarding, but it will not be easy. Someone who is satisfied working for someone else will usually find the challenges of business ownership too great to even attempt.

On the other hand, there are many stories of people who succeed against all odds because they have a strong desire to have their own business. So ask yourself this question: On a scale of one to ten, with ten being high, how do I rate my desire for greater independence? The higher your number, the better your odds of success.

**DESIRE IS THE ONE ELEMENT YOU MUST BRING TO THE TABLE.  
IF YOU DON'T HAVE IT, NO ONE CAN GIVE IT TO YOU!**

## BUSINESS SYSTEM

According to Robert T. Kiyosaki, author of the highly acclaimed book series Rich Dad Poor Dad, having a great business system is an essential key to success. It is even more important than having a great product! A business system is the total package for running the business: location, marketing products, sales process, management and training.

Franchises are all about a business system. Franchises tend to take common products (hamburgers, oil changes, etc.) and build an effective business system around them. The section entitled "Qualities of a Good Franchise System," addresses how franchisors do this and how you can evaluate a particular franchise business to determine the quality of its business system. With the very best systems being a ten, you want to see that the franchise you select has a great business system.

Identifying a great system is important, but a word of caution is in order. Prospective franchise owners may be tempted to put all their emphasis on the quality of the system, without considering the third and equally important element. We call it "Fit."

## "FIT"

No matter how good the business system is, the business must be one that "Fits" you. It must be a business that builds on your strengths and talents. Every franchise system has successful operators and less than successful operators. The difference is the individual. A business system does not run itself. Identifying a business that fits your profile, what we call your business model, is just as important as the quality of the system.

Section five, "Moving Forward," addresses how FranNet helps you develop your unique business model and use it to find the business that is right for YOU! As you probably guessed, the goal is to find the business that is as close to a ten in how it fits you.



# THE RIGHT WAY



## Achieving Your Dream

Franchising is a great choice, but it is only one option for getting into business. It is always good to understand your options and determine what is best for you. Every choice has its advantages and disadvantages. The three basic options are these:

1. Start a business from scratch
2. Buy an existing business
3. Purchase a franchise

The following table shows the variables with each option.

| Options   | Start from Scratch                                     | Buy an existing business                                | Purchase a Franchise                                   |
|---|--|---|--|
| Availability  | Limited only by your imagination                       | Limited   | Many   |
| Proven System                                       | No   | Maybe   | Yes  |
| Correlation between investment and profit potential | None   | High  | None   |
| Support after purchase                              | None   | Limited or none   | High   |
| Risk Factors  | First time effort                                      | Hidden motives or incorrect information from seller     | High variability of quality among franchises           |
| Attractive to Lenders?                              | No   | Maybe   | Yes  |
| How to Predict the Results                          | Projections based on your assumptions about the market | Projections based on historical results of the business | Projections based on results of current owners         |
| Making Changes                                      | Up to owner  | Up to owner   | Some aspects likely limited by the franchise agreement |

# ROAD WORK AHEAD



## Can You Do It? Do You Have The Drive?

It is pretty easy to want to own your own business, but “want” is only one criterion to consider before making the financial and emotional decision to go ahead. The FranNet process should help you look at all those criteria. Below are six questions to ask yourself:

### 1. DO I UNDERSTAND AND ACCEPT THE RESPONSIBILITIES OF OWNING MY OWN BUSINESS?

Franchisors do provide proven systems, training and support. However franchisees implement these proven systems and manage the business. This will mean long hours and hard work. Are you aware of all that entails and are you willing to do it?

### 2. WILL I ENJOY MY BUSINESS?

Before you even look at specific types of franchises, you need to examine who you are and what brings you personal satisfaction. Make a detailed list of what you want to get from your business (see section on “The Business Model”). Once you know the attributes a business provides for you, you may be ready to begin looking at specific franchises.

### 3. AM I WILLING TO FOLLOW THE FRANCHISOR’S SYSTEM?

You are paying a price to be a part of a franchise. You are investing into a system of doing business and they train you to be proficient. It buys a brand name and standards to insure your customers will experience the same high quality standards in every unit of that franchise. Be very familiar with what the franchisor provides and ask yourself if you are willing to follow their procedures. If not, do not make an investment in a system you will not use.

### 4. DO I HAVE THE PERSONAL ATTRIBUTES TO BE SUCCESSFUL?

Talk to successful franchisees in the business you are considering to determine “Am I like them?” If they are outgoing, gregarious people, and you are not, it probably will not be a good fit. If the business requires highly organized people, and you are not, keep looking. Do not think you can change and learn these personal attributes. You are who you are and you can find a business for people like you.

### 5. CAN I AFFORD THE FRANCHISE?

With all the disclosure regulations required in the Franchise Disclosure Document, you should have a good idea of the start-up costs of your business. Discussions with successful franchisees can give you more information about the money necessary to run your business and cover your living costs until the business turns a profit. Be conservative. Businesses sometimes fail and not because they are unsuccessful, but because the owner ran out of money before it became profitable.

### 6. DO I HAVE FAMILY SUPPORT?

You are making a family decision. A business of your own will affect your family as well. Family members must know and accept the demands that business ownership will entail. Have them involved in every step.



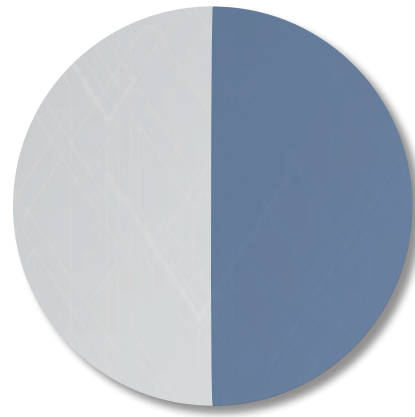
# ROAD WORK AHEAD



## *Qualities of a Good Franchise System*



**12%**



**50%**

**It's been estimated that less than 12% of the businesses in North America are franchised, but they account for over 50% of all North American retail sales— more than four times their share of the dollars.**

These are the amazing results that franchises obtain, but a word of caution is in order about statistics. These statistics are averages among the franchise industry. However, no one buys the average franchise. Some franchises are not effective in helping their owners. You want to determine if the franchise YOU choose gets you leverage in the market place. So how can you tell? What are the qualities that SUCCESSFUL franchises have that yield these results?





# ROAD WORK AHEAD



- **EXPERIENCE**

Successful franchise companies bring substantial industry experience to the table. They should be experts in their business. Most companies don't require industry experience because they know the industry. They need your business skills, not technical expertise. For this reason, franchising can be an effective way for you to transition to a new industry.

- **TRAINING**

In order to transfer their expertise to you, franchisors must become expert trainers. Training for new owners may range from two to eight weeks or more. A combination of training will usually be conducted at headquarters and in your market.

- **ONGOING SUPPORT**

This support comes in many forms such as ongoing training, new product development, and new technology. Whatever the form, good franchise companies are always evolving their system to keep ahead of the competition.

- **NAME RECOGNITION**

The importance of name recognition depends on the industry, but in consumer oriented businesses it is often what separates the franchises from independents. However, there is a paradox in name recognition. By the time we are aware of the name in our market, it is probably not available. You will want to see that the franchise has a track record of establishing the brand in a new market.

- **PROVEN SALES AND MARKETING SYSTEMS**

You should expect time tested systems that fit the particular industry. Good franchisors have effective advertising materials and know what media is effective. If direct sales are required, training on networking and sales techniques should be provided.

- **DEMOGRAPHICS AND SITE SELECTION**

Good franchisors know the demographics required to support their business. If it is a business where location is important, you should expect the franchisor to provide assistance in finding the best location.

- **SPEED AND EFFICIENCY**

From your decision to opening day, effective franchisors should expedite the start up process.

- **SIMPLICITY**

Franchisors tend to keep their business model simple, focusing on the activities that will make you the most money.

- **CULTURE OF TEAMWORK**

Effective franchisors realize that nobody has all the answers. They collaborate with experienced franchisees to constantly improve the business. Annual conventions, mentoring groups, and advisory councils are just some of the ways franchisors support these efforts.



# ROAD WORK AHEAD



## *The Business Model*

### **Finding the right “FIT” for you**

People use many criteria for selecting a business. Unfortunately, many of them are wrong or irrelevant. The fact that a friend has enjoyed success in a particular business is not an indicator of your success. Neither is the fact that a franchise is currently hot. Your ultimate success, financially and emotionally, is going to depend largely on how that business provides what you need.

The Business Model, created by you with the help of your FranNet Consultant, will be your guide to finding that right business. It will take some time and some thought, but the resulting document will enable your Consultant to recommend specific franchise opportunities that have the best chance of providing those things which you have determined to be critical.

There are two parts to an effective, meaningful Business Model:

#### **1. BUSINESS GOALS**

This is an itemization of what you want to gain or change in your personal, professional and financial circumstances by being independent in your own business. These are “must fix” items and are the primary motivators behind your desire to become independent. Frequently mentioned items include such things as sense of control, more personal time, personal satisfaction, etc. Overall, this is your list and requires and deserves a lot of thought.

#### **2. BUSINESS PREFERENCES**

These items describe your role in the business; how it should look, how it should operate, its structure, its potential for growth, etc. These items should match up well with the skills you bring to the business, your personality, your interests, etc. Some items in this list might be the hours and days the business is open, how many employees you would want, who you would like your customer to be (general public, other businesses, etc.), whether it is a retail or a service business, etc.

Remember, the Business Model should be THE guide for your FranNet Consultant to use in selecting the recommended franchises for you to investigate and for you to use in determining if a particular franchise really provides what you want. Do a great job in building the model and then,

***DON'T SETTLE! THIS IS A HUGE DECISION. MAKE YOUR BUSINESS MODEL THOROUGH AND ACCURATE THEN USE IT!***



# ROAD WORK AHEAD



## The Spectrum of Franchising

| INBOUND RETAIL  | OUTBOUND RETAIL  | – BRIDGE –   | AREA DEVELOPMENT  | OUTBOUND SERVICE/SALES  |
|---|--|--|---|---|
| <ul style="list-style-type: none"> <li>• High Cost</li> <li>• High Visibility</li> <li>• No or Low Selling</li> <li>• Site Dependent</li> </ul> | <ul style="list-style-type: none"> <li>• Medium to High Cost</li> <li>• Some Visibility</li> <li>• Some Selling</li> <li>• Not as Site Dependent</li> </ul>  | <p>Where it all comes together!</p> <ul style="list-style-type: none"> <li>• Low Selling</li> <li>• Low Cost</li> </ul>    | <ul style="list-style-type: none"> <li>• Varied Cost</li> <li>• Some Selling</li> <li>• Multi-Faceted Owner Involvement</li> <li>• Occur when franchise is new</li> </ul> | <ul style="list-style-type: none"> <li>• Low Cost</li> <li>• Low Visibility</li> <li>• High Selling</li> <li>• “Hands On”</li> <li>• Home or Office</li> </ul>  |
| <p>EXAMPLES</p> <ul style="list-style-type: none"> <li>Fast Food</li> <li>Hair Salon</li> <li>Dry Cleaners</li> </ul>                           | <p>EXAMPLES</p> <ul style="list-style-type: none"> <li>Learning Centers</li> <li>Sign Business</li> <li>Business Services</li> <li>Fitness Center</li> </ul> | <p>EXAMPLES</p> <ul style="list-style-type: none"> <li>Residential Cleaning Services</li> <li>Handyman Services</li> </ul> | <p>EXAMPLES</p> <p>May occur in any style of franchise</p>  | <p>EXAMPLES</p> <ul style="list-style-type: none"> <li>In Home Décor Service</li> <li>Commercial Building Maintenance</li> <li>Management Consulting</li> </ul> |



Franchises exist in over 80 industries. While we often think of restaurants, they are only part of what is available. In fact, we see franchising being applied successfully to more and more industries.

There is much information available listing franchises and categorizing them based on the function of the business. You may have seen books, magazines or web sites that do this. However, our clients tell us that looking at the structure of the business and the owner's function in the business is more helpful to them. Does it really matter what the product is, if the business will give you the results you want and the sort of operation that fits you?

The Spectrum of Franchising categorizes businesses by how they work for you and what your role would be in that particular business. At one extreme are inbound retail businesses. They tend to be relatively higher investments, site sensitive, with sales driven by advertising rather than direct sales. Growth occurs by adding additional locations.

At the other extreme are service businesses. They are relatively low investments, not location dependent, and are driven by direct sales. Growth in a service business comes by adding more sales and service people!

Your FranNet Consultant can review this model in more detail. What sort of business structure is most appealing to you?





# GREEN LIGHT

## *Solidifying Your Financial Plan*

Obviously, you need to be very concerned about your financial ability to not only purchase a franchise but also to continue to operate it until it begins to make a profit. Fortunately, careful due diligence will enable you to determine the financial requirements of your business before you make your decision. Those requirements fall into five basic categories and will be described in detail in the Franchise Disclosure Document (see page 18).

Every business will have certain start-up costs. In addition to the normal capital requirements to launch a business, a franchise will assess an initial fee that typically covers the rights to use the name and trademarks of the company, the rights to distribute the company's products and/or services, access to the franchisor's established business systems, initial training, assistance with site selection and a protected territory. An ongoing fee, or royalty, pays for continued support provided by the franchisor, as well as continued use of the trademarks and business systems and enhancements.

Operating capital (sometimes included with start-up cost) is another important factor. It is the money you will need to operate your business until it becomes self-sufficient.

### **What does it cost?**

As you review these costs, it is important to remember that there is no automatic correlation between what it costs to buy a franchise and how much money you will make. The cost of the business has little to do with how much you can make.

Typically, you will need 30-50 percent of the total investment in cash. Assuming your credit is acceptable, financing of the balance is usually not difficult. Your FranNet Consultant will help you identify financing options.

| TOTAL START-UP INVESTMENT | PERCENT* |
|---------------------------|----------|
| Under \$50k               | 28.6%    |
| \$50 to \$100k            | 23.9%    |
| \$100 to \$250k           | 32.7%    |
| \$250 to \$500k           | 9.2%     |
| Over \$500k               | 5.6%     |

\*Source: Franchise Times Magazine Survey, "Franchising is All Right, Thank You"



# FORK IN THE ROAD



## Franchise Selection Decision Plan

### How do you eat an elephant? One bite at a time?

Keep your decision making simple—take it one small bite at a time! The following checklist provides a thumbnail sketch of the FranNet Four-Step Research Plan, along with estimated costs. For a more detailed look at franchise research, please see the Four-Step plan on page 15.

| FILL IN DATE | ACTION  | ESTIMATED COST              | COMMITMENT  |
|--------------|---|-----------------------------|-------------|
| _____        | Meet with FranNet Consultant to create Business Model and select franchises to evaluate     | \$0                         | NONE        |
| _____        | Review of materials received from franchisors and initial phone interview with franchisor*  | \$0                         | NONE        |
| _____        | Validation process: and visits to franchisees. Take notes!                                  | \$10 - \$500                | NONE        |
| _____        | Visit home office of franchisor   | \$10 - \$800                | NONE        |
| _____        | Basic review with attorney and/or accountant (larger scope may require more time and money) | \$300 - \$1,200             | NONE        |
| _____        | <b>Decision to invest in franchise</b>  | <b>Specified Investment</b> | <b>100%</b> |



Remember to review your business model every step of the way. It is your compass and will guide you in determining if you want to proceed with the research. Your FranNet Consultant will coach you through this process and can recommend other professionals to assist as needed. This process typically takes 30 to 45 days.

\*For a list of questions for both the franchisor and franchisee, see pages 16 and 17





# MOVING FORWARD

## Business Preferences Questionnaire

Thinking about your personal business preferences will help you to identify how various businesses will fit your own management style. While business goals tend to be universal, business preferences tend to be very personal. What's important to you in owning a business? Begin designing your perfect business by answering the questions below. Feel free to add whatever else you wish including your thoughts about each question. Check (✓) all responses that apply.

### 1. VENUE

(Where do you like to do the business?)

- In an office
- At a store
- Your own home
- Out calling on customers
- Don't care/Not important

### 2. EMPLOYEES

- I prefer many employees
- I prefer few employees
- I prefer to work on my own

### 3. INCOME

- There is a set amount of money that I want to provide for secure and comfortable living  
(That number is \$ \_\_\_\_\_ per year)
- I am driven to high levels of success and more is always better

### 4. RELATIONSHIP WITH FRANCHISOR

(What is your choice?)

- A franchise with strong support but many restrictions
- A franchise with very adequate support but more freedom and flexibility
- A franchise with good training but freedom thereafter

### 5. MANAGEMENT STYLE

- I want a business in which I will be heavily involved in every aspect
- I prefer to develop employees, delegate duties and build an organization

### 6. HOURS

- I am prepared to work whatever hours are needed to launch the business
- I am willing to work nights or weekends
- I want to keep my regular job and work part time on the franchise
- I prefer traditional business hours



# MOVING FORWARD



## 7. ENVIRONMENT

- I like to be in a traditional “suit and tie” business environment
- I prefer something more casual
- I like a combination of environments

## 8. RISK/OPPORTUNITY

- I want to go with a huge, established franchise
- I would like to join an established franchise but I don't mind being the first in my area
- I would like to join an established franchise and I would want to wait until some units are open in my area
- I might enjoy being among the first franchisees in a young but very promising new franchise

## 9. NUMBER OF UNITS

- I would prefer a single unit
- I prefer to own multiple units

## 10. NO INTEREST

Are there certain categories of business that, no matter how profitable they may be, just do not make sense for you? Please list:

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## 11. OTHER PREFERENCES Please list:

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*Suit & Tie or Jeans?*





# MOVING FORWARD

## The **4** Step Research Plan

After meeting with your FranNet Consultant to define your Business Model, you will be introduced to specific franchises that best match your criteria and can help you reach your goals. Before you invest any money, FranNet recommends that you use our 4-Step Research Plan. These steps are designed to keep your decision-making as simple as possible, by taking one small step at a time, yet allowing you to thoroughly evaluate a franchise! Provided you are researching no more than three franchise concepts simultaneously, you should be able to complete all steps in about four weeks. Remember, there is absolutely NO obligation on your part at any time during the investigation other than prompt and candid communication with the franchisor and your FranNet Consultant.



### Step 1 TALK TO THE FRANCHISOR

- When your FranNet Consultant makes a referral, the franchisor will contact you typically within 48 hours.
- It's in your best interest to create a good impression. You want the franchisor to view you as a qualified and serious potential owner.
- Review the materials provided by the franchisor and prepare questions. If the Franchise Disclosure Document (FDD) is not provided with the initial information package, ask for it during your next call. The FDD is a legal document required by the Federal Trade Commission. This document provides all required disclosures including a list of all franchisees.
- Read the FDD from cover to cover and compile a list of detailed questions for the franchisor to answer during your next call.



### Step 2 CALL AND VISIT SOME FRANCHISEES

- Carefully target your list of franchisees to interview. Ask the franchisor which owners listed have similar backgrounds to you. Ask who the most successful owners are and which ones may be struggling. Once your list contains a good cross-section of the franchise community, begin your phone interviews using the following page to guide your questions.
- Call at least eight to ten franchisees and take careful notes. You may need to revise your list of questions as you go. If you receive the same answer from the first four to six franchisees, drop that question and perhaps add new ones .
- Arrange to visit two or three franchisees at their place of business.
- Once you have completed your calls and visits, ask yourself some key questions, such as:
  - Can I see myself doing this business?
  - Will I enjoy it and be good at it?
  - Am I more like the successful owners in the system or am I more like the ones who are struggling?





# MOVING FORWARD



## *Now it's time to hit the brakes or floor it!*

Based on what you've learned from the people inside the business, does this franchise fit your model? Can you see yourself doing what the successful franchisees have done? Will this business help you achieve your goals and vision?

If you can answer YES to all of these questions, it's time to proceed to Step 3. If not, close the file and continue researching the other opportunities.

### **Step 3 VISIT TO THE FRANCHISOR**

- Many franchise companies refer to this visit as a Discovery Day. It is an opportunity for you to meet face-to-face with the key players; top management and all the departments, e.g. training, marketing, operations, accounting. On this visit you should decide whether you fit with their corporate culture, get your final questions answered, and be able to answer a key question yourself, "Are these the type of people that I want as my partners?"

### **Step 4 CONSULT WITH PROFESSIONAL ADVISORS**

- Use any and all experts that you deem appropriate. Hire a franchise attorney to review the agreement to make sure you understand all the provisions. You may also want to hire a qualified accountant to assess the financial strength of the franchisor and assist you with your economic analysis of the opportunity. If you will be financing a portion of your investment, you should be in discussion with one or more lenders at this point.

## *Now it's time to MAKE THE DECISION*

You can now be confident that you have carried out an intelligent and diligent investigation and making your decision on facts as opposed to initial perceptions.





# MOVING FORWARD

## ?’s to Ask Franchisors

REMEMBER TO TAKE GOOD NOTES!

**1. COMPETITIVE ADVANTAGE OF PRODUCT OR SERVICE** Ask the representative what makes this business more attractive to you, as an owner, and more attractive to a customer.

- How is your system better than competitors? • Who are the competitors? • How does your business match up?

**2. TIME TESTED, STANDARDIZED FRANCHISE SYSTEM** 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.

- How long have you been franchising? • How many franchise units are currently operating? • How many units have you closed in each of the last three years? Why? • How many units have been transferred or sold in each of the last three years? Why? • How many units have you opened in the last three years? • How many units do you plan to open in the next three years? • What is the function of the business? • What is the function of the owner? • What is the initial investment? • What do we get for that? Please describe any fees you have. • Do you have an earnings claim? If so, what is it? • What improvements have you made in your business recently?

**3. STRONG FRANCHISOR SUPPORT** 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.

- Describe the support you provide franchisees. • What is the initial training like? How long is it? • What support is available after the business is open? • What kind of continuous support is there? • What will I hear from the franchisees on this subject?

**4. FINANCIAL STRENGTH AND MANAGEMENT EXPERIENCE** Ask the representative to comment on both of these areas. The Franchisor’s comments will help you to understand the FDD when you have the document.

- In layman’s language, describe the financial strength of the franchise. • About how much revenue comes from initial franchise fees? • How much from royalties? • Is the franchise publicly traded? • How has the stock performed?

**5. MUTUALITY OF INTEREST BETWEEN FRANCHISOR AND FRANCHISEES** Tell the representative that you will be asking franchisees about this, but you would like to hear feedback, and also what you might expect to hear from the franchisees. Of course, what you want is a system where the two interests are locked together!

- How will the franchisees describe their relationship with the franchisor? • Is it supportive? Is it combative? • Have there been any lawsuits or arbitration? • What was the issue, and how did it end?

Please prepare any additional questions you wish along these lines. Exploring these areas will introduce you to the representative as a serious and thoughtful prospect — exactly the type any franchisor wants in his business. Also it will give you good information in the critical areas of franchise selection which will help you during your research process.

# MOVING FORWARD



## ?’s to Ask Franchisees

These questions are just suggestions. Add whatever other questions you wish. Do not expect franchisees to return calls. Remember you are a stranger asking for a favor, so ask when you may call them. Use a warm, conversational tone but follow the outline of the questions. Write the name of the franchisee, his/her telephone number and the date of the call on the top of this sheet. Thank the franchisee for helping you.

1. How long have you been in business?
2. What were you doing previously?
3. What made you choose this franchise?
4. How has it been going for you?
5. How would you rate your relationship with the franchisor?
6. How would you rate the initial training?
7. How would you rate the ongoing support?
8. How would you rate the marketing programs?
9. Are you aware of any franchisees that are unhappy in this business? Do you know why?
10. How difficult is it to find, train and retain employees? How do you compensate them? Benefits? Paid time off?
11. Would you mind sharing with me what you expect your annual revenue to be for the year? How does that breakdown amongst the various products/services?
12. Can you tell me roughly what % of that will drop to your bottom line?
13. Approximately how much per year do you spend for:
  - Advertising and Marketing-
  - Uniforms-
  - Insurance-
  - Supplies-
  - Rent/Utilities or Other-
14. What are your cost of goods sold as a % of sales?
15. How much could I reasonably expect to gross/net in first year, second year, and third year?
16. What do you like best and least about this business?
17. If you had it to do over again, would you buy this franchise?





# MOVING FORWARD

## *Franchise Regulations and the FDD*

Franchise regulations are in place for the benefit of a person considering buying a franchise. FranNet believes our clients must understand these regulations.

Federal law and state law in 14 states, require that a franchise prospect receive a current copy of the 75 - 150 page document known as the Franchise Disclosure Document (FDD) at the first meeting with a representative of the franchise company. Furthermore, a current copy of the FDD must be in the possession of the prospect for 14 calendar days before the prospect may sign any commitment or make any deposits. Finally, the franchise contract, with all blanks filled in, must be in the possession of the prospect for five business days before he/she may sign it.

Below you will find the definition of a franchise, courtesy of the Federal Trade Commission, and the table of contents of the FDD. I have consolidated the twenty-three points into thirteen points, but all are included.

### THE FDD

1. Franchisor, predecessors, affiliates the officers and their business experience
2. Litigation and bankruptcy
3. The estimated initial investment and all fees including the initial franchise fee, on going royalties, advertising fees, site fees, transfer fees, etc.
4. Restrictions on the sale of products, services, and also on their sources
5. Franchisor's obligations and the franchisee's obligations
6. Available financing and territory rights
7. Obligation to participate in the operation of the business
8. Renewal, termination, transfer and dispute resolution
9. Earnings and/or sales claims
10. List of outlets and franchisees including all who left in the last year, and three years of open/closed units
11. Audited financial statements of the franchisor
12. Franchise agreement, leases and other documents
13. Receipt of the Circular to be signed by the prospect

**A FRANCHISE IS..."AN AGREEMENT FOR CONSIDERATION BY WHICH A PERSON PERMITS THE DISTRIBUTION OF GOODS OR SERVICES UNDER HIS TRADEMARK, SERVICE MARK, OR TRADE NAME, DURING THE TERM OF WHICH THE GRANTOR RETAINS CONTROL OVER OTHERS OR RENDERS SIGNIFICANT ASSISTANCE TO OTHERS."**

# MOVING FORWARD



## Beware of ROAD BLOCKS!

### A Dream Denied

Many people who dream of independence find a franchise that captures their interest. However after a short time of a few days or a week at most, that interest and even excitement is gone—even before they have done any serious research on the opportunity. What happened? They encountered a ROAD BLOCK! We call this road block “being ambushed.” Feeling ambushed is overwhelming and can stop you right in your tracks, however, you need to evaluate the facts then continue moving forward.

### THE SPOUSAL ROAD BLOCK

This is a familiar event. The business seeker claims, “I’ve talked it over with my spouse, and he/she says it’s my call. Whatever I want to do is just fine!” Fine until the hopeful owner comes home and starts talking about the franchise. Suddenly, the objections and concerns begin to flow. Soon, the task of business ownership becomes complicated by marital disagreement and what was so promising now appears impossible.

#### • THE SOLUTION

1. Owning a business is a family decision. Even before the search begins, the couple needs honest discussions about the benefits and challenges of business ownership.
2. When there is agreement to go forward, both parties should attend any future discussions together so that each has the same information. Would you want your spouse to buy a house without knowing your opinion? Investing in a business is an even more important decision and calls for full agreement from both partners. An added benefit is that one may ask a question the partner did not consider.

### THE FRIEND/NEIGHBOR ROAD BLOCK

It is flattering to be asked for your opinion. The minute you mention your interest in a business, your friends and neighbors will cheerfully provide their (uninformed) opinions about your choice.

#### • THE SOLUTION

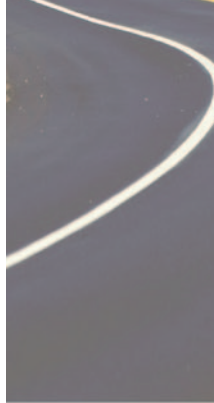
Why would their choices match yours? They have different backgrounds and interests. Give each opinion the worth it deserves based on the knowledge and business experience of the opinion giver.

### THE SELF & INTERNET ROAD BLOCK

Often people destroy their own dreams of business ownership by confusing casual inquiry with real research. It is a classic case of “shooting yourself in the foot.” For example, you can be interested in a certain type of business and check out the Yellow Pages or search engines to see how many of them there are. That is interesting - but it tells you nothing about the size of the market, the market's niche or the retail business targets. It may be that the market is undeserved or you might ask a competitor about the business. Don't expect an unbiased opinion!

#### • THE SOLUTION

Serious research about the industry and the franchise is absolutely required and franchisees already in the business are an excellent source of information. Your FranNet Consultant will coach you through the research process.



# MOVING FORWARD



## *Expect to get Nervous*

Buying a business is a serious decision. No one makes a serious decision without getting a little nervous, or at least some butterflies in the stomach at some point. If you don't get nervous, you may not know enough!

Good, solid, serious research and good advisers will lead you to a good decision. Talk to the successful franchisees - they're the ones who can give you the most information on how to succeed in their franchise.

Also, be sure to talk to the unsuccessful franchisees and learn from them. Find out what they would have done differently to avoid making a bad decision.

When you have gathered the information and are honest about your own abilities, you will make a smart, educated decision for yourself....despite the butterflies!

**EXPECT TO GET NERVOUS. DEAL WITH IT.  
DON'T LET NERVES STEAL YOUR DREAM.**

**If you don't follow your dreams, you will  
work for someone who did!**



# COMING TOGETHER



## Why Use a FranNet Consultant?

You wouldn't build a building without hiring a talented and experienced team of proven professionals. The architect, engineers, and construction crew are seasoned experts who know what it takes to build a sturdy, successful building that will last for many years. Building success in franchise ownership should be no different. FranNet Consultants worldwide have proven track records of helping individuals find the right business that best fits their unique personality and experience, and that can best help them achieve their business goals. Best of all, there is never any cost to you for using our services. Below are ways that FranNet can benefit you.

- **PROFILE**

We want to be sure we understand you, your goals and your dreams. Our first step is to talk together. Then we'll ask you to fill out our Business Preferences Questionnaire (see pages 12-13). By filling out these few pages, it will give us more insight into the kind of business that may be the right one for you.

- **MODEL**

Next, we will study your questionnaire and arrange a conversation either by phone or in person. We usually spend at least one to two hours with you to develop a model of the perfect business for you. Later, you will use this model to evaluate businesses you choose to review. This model is uniquely yours so we want to make sure you feel it's correct. Best of all, you will be able to compare each business you look at to your model and will have a level playing field against which to measure them.

- **MATCH**

When you are satisfied that you have identified your model correctly, we will be ready to suggest business types that structurally and strategically meet your model. When you've identified some business types that you think match your model, we'll identify and suggest specific companies you may want to be introduced to so you can start to learn about them in greater detail. Over the years, we've screened hundreds of Franchisors and worked with thousands of people just like you. More importantly, most people don't know the choices that exist in franchising and tend to make decisions without sufficient knowledge. We can help you understand your choices and find the right match for you.

- **RESEARCH**

This may be the most important step of all. We can't do your research for you, so it's your job to do the "heavy lifting" and conduct a complete and thorough investigation of any business that you think may be right for you. We'll even give you some sample questions and a Four-Step Research Process (see pages 14-15) to help you get started with this all important step.

- **PURCHASE**

When you are ready to buy, we can help you locate financing sources, franchise attorneys and other resources you may find helpful. FranNet will provide you with guidance, information, and support as you seek your goals. We are ethical and experienced Consultants who can help you find what you want affordably and safely. No other franchise organization has as much experience and as much success in helping prospective franchisees find businesses.





**FRANNET**<sup>®</sup>

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