



Fire Corporate America:

The Guide To Living Life On Your Terms Through Franchise Ownership

Welcome

If you are reading this, chances are you've thought about franchising and wondered if that might fit you. I know that feeling all too well because that is my story too.

First and foremost, I'm a family man. My wife, Shari, is the absolute love of my life. She works with the deaf and deaf/blind community, targeting her efforts specifically with young children. I refer to her as "The Resident Philanthropist" of the house. Together, we are raising a close-knit family of four kids - Peyton, Addi, Mason, and Tristan. We enjoy all things family, especially watching our kids' sporting events, going on family vacations, and spending time at our lake house in central Minnesota.

I believe in franchising because I am living proof that the franchise model works. Over the last two decades, I have built a portfolio of investments in franchise companies as a franchisee, managing equity partner, and passive investor. I have also helped thousands of people evaluate business ownership through franchising.

You could say that franchising just sort of found me. I started my career in advertising, and in 2004, AllOver Media, an advertising franchise, recruited me to head up their national expansion efforts. It didn't take me long to realize that "regular people" were living their dreams of business ownership through franchising. I purchased my first franchise at the ripe old age of 28. I spent the next decade successfully owning and operating two franchise businesses as a local franchisee. In 2014, I founded a consulting company that worked internally with franchise organizations to help them expand their footprint nationally. As a result of that work, the franchise powerhouse, Regis Corp, recruited me to be the VP and Managing Equity Partner at Roosters Men's Grooming Centers. Before joining FranChoice, I was a VP of Franchise Development for BrandOne, a premier franchise development group. In addition to my role with FranChoice, I am an investor in multiple franchise companies where my passion and enthusiasm for franchising fuels everything I do.

I welcome the opportunity to talk with you about how franchising may be a fit for you. **Reach out to me at mwelch@franchoice.com or 320-291-8141.**

"I believe in the power of franchising. You don't have to be Zuckerberg, Gates, Jobs, or Musk to be an entrepreneur."

- Mike Welch

What's A Franchise Consultant & Why Do I Need One?

We are about to talk a lot about franchisees, franchisors, and the system that brings them together. First, let me tell you how I can help you find your perfect-fitting franchise opportunity. The process of buying a franchise is pretty detailed. With thousands of franchises across countless industries and categories, the process just got even bigger. Navigating this road on your own can be very time-consuming and potentially lead you down a path of stress and frustration. Working with a franchise consultant can save you from all that.

Our unique consultation process has years of proven success in helping entrepreneurs identify the right franchise opportunities to match their criteria. As a consultant, my goal is to educate, support, and guide you through the investigative process so that you become an educated buyer. The beauty of the process is that you can utilize me as much or as little as you would like during your journey. But that's not even the best part of what I do.

The very **BEST** part is that all of my services and time are **FREE** to you; you don't pay a dime! I am compensated by the franchisor only if you decide that a brand is your perfect franchise and you sign on the dotted line. Please note that my free service will not cause an increase in or change the amount you pay for the franchise. Everyone pays the same fees on the Franchise Disclosure Document, no matter how they connect with the franchise company. Think of it as being very similar to how an executive recruiter or real estate agent would be paid. Interested in learning more?

During my [first call](#) with a potential client, I explain our entire process in detail and how I can help. I also take time to hear from you about your current situation, previous experience, what franchises you have already looked at, your expectations, personal information about you, your interests, and what makes you tick. Then we can both determine if we would be a good fit for each other. If decide to work together, I will send you a questionnaire to fill out, which will be followed by a few more phone calls as we continue to search for your perfect franchise.

If you would like to learn more about Mike and his services, check out his [profile](#) and then grab some time on his [calendar](#) that's convenient for you. You can also reach out via [email](#) or call him directly, **320.291.8141.**



Who Are You?

The majority of people that I help fall into one of two main categories. The first is someone who expresses frustration over being in a dead-end job with little to no control over their future and is looking for an option with new possibilities. They are hoping for a fresh start where they control their job security. If you're like most people in this category, you want to build some equity as you're building something that can be a real legacy for yourself and your family.

On the other hand, you may really enjoy your current role and the path you're on. You have no intention of leaving your current position, but you have found yourself with some extra time and money on your hands. The franchisee candidates in this category are more interested in building a business by leveraging a general manager to run the day-to-day business. They want to build something to benefit themselves when they are ready to leave their current role.

Regardless of your category, both groups will move through the business ownership process in one of two ways.



Business Ownership - Which Approach is Best For You?

Start a Business From Scratch

If your goal is to keep your current role or ramp up your business fast, this option is likely not for you. In order to do this option well, here are just some of the things you will need to do:

- Determine the product or service your business will provide.
- Come up with the name, develop the brand, and determine logos, graphics, colors, website, etc.
- Research to determine if you will be meeting a real need that can create enough demand to drive the value monetarily enough to stand alone as a prosperous business.
- Decide on your go-to-market approach to finding your customers, target market, pricing of your service/product, marketing approach, etc.
- Create a business plan including the details needed to determine a budget, costs of service/product, and the opening of your business to the extent that help from other investors, partners, or funding from third parties may be needed.
- Work through all legal needs such as trademark logos, DBAs, registering business names, leasing space, vendor selection, contracts, equipment purchasing/leasing agreements, employee handbook, and termination of employee procedures.

We could go on and on with this list. The bottom line is that you could get yourself in trouble if you are not a creative person with an operations mindset and a legal background. Even worse, you wind up spending a lot of time and money to find yourself at the end of the road with nowhere to go.

Leverage a Proven Business Model-Franchising!

A franchise, as defined by the International Franchise Association, is a method of distributing products or services involving a franchisor, who establishes the brand's trademark or trade name and a business system, and a franchisee, who pays a royalty and often an initial fee for the right to do business under the franchisor's name and system. In a franchise, the franchisor provides the franchisee not just its trade name, products, and services but an entire business operating system. The franchisee generally receives site selection and development support, operating manuals, training, brand standards, quality control, a marketing strategy, and business advisory support from the franchisor.

If you have an entrepreneurial spirit and want to own and operate your own business without much risk, consider a franchise business. According to the U.S. Bureau of Labor Statistics, "because of their established, proven business practices, franchises have higher success rates than independent businesses." Does this stat eliminate all your risks? Absolutely not, but it does allow you to take advantage of starting with a proven model.

Every successful franchise system has a partnership mindset. As the franchisee, it's essential that you are content with using a system that you did not create. The franchisor has spent lots of time perfecting a system that works well for their industry. If you cannot get behind that, franchising may not be your option. But if it does excite you to start with a proven system, franchising may be your fit. Its proven system allows you to make massive leaps into business ownership without the headache of starting from scratch.

Who Are the Franchisees & Why Did They Choose Franchising?

The franchisee community is quite diverse yet united in its desire to create and own their own destiny. Many of these franchisees are parents wanting the freedom to eat lunch with their kids during the school day or not wanting to stress over who is taking their kids to the doctor when they're sick. Others are happy in their corporate roles but want a creative outlet for a skill they have and want to put to use. While many others are people looking to invest a portion of their money in something that isn't stocks or bonds.

If this sounds like a group you want to be part of, franchise ownership may be a fit. As you begin to investigate this possibility, here are six of the more common reasons why people become franchisees. I'd love to know which of these resonates the most with you. Make sure to make a note of it so we can discuss it on our [Intro Call](#) together.

"20% of independent businesses close after two years compared to 90% of franchisees that continue to go strong after two years."

- Neighborly Franchising



Six Reasons to Choose Franchising

1. Franchising will help you own your own business without requiring all the effort to create a new business idea.

We've already discussed this in a previous section, but it's worth repeating. Creating a new business idea is difficult today; it's like being on a solitary island in a sea of countless other businesses. Franchises allow you to skip the guesswork and plug into a successful business model, an existing customer base, and, in many cases, a well-developed plan for getting your business ready to open. In a nutshell, they give you an entire organization prepared to invest in your success.

2. Franchising reduces your risk of being a new business owner.

When you [become an independent franchise owner](#), you join a group of people committed to building the same brand to dominate markets using a standard and proven operating system. With an already established system, setting up your business will take less time and be more effective in the long run than trying to guess how to build a business from scratch.

But how much does joining a franchise save you risk-wise? According to The US Department of Commerce, franchise businesses are much more likely to succeed than individual start-ups. According to the Department of Commerce, the success rate is even greater when looking at the stats over a five to seven-year period; 91% of new franchises are still in business compared to 20% of individual start-up businesses.

3. Franchising has lower costs as a group than an individual start-up business.

Whatever your business of choice, chances are you will have plenty of costs. The supplies needed to run your franchise could range from ingredients for food products to office supplies to delivery services; some of these purchases could be on a repeating basis, depending on the franchise. Because franchises have such a high purchasing volume for these supplies, along with purchasing contracts the franchisor may have set up, franchisees can significantly benefit from group discounts.

4. Franchising gives you national brand recognition.

Products live and die on their marketing. A good marketing program can set up your business for great success, and a poor marketing plan can spell a difficult time ahead for your products. Customers can't buy what they do not know exists. One of the greatest benefits of a franchise is its national marketing fund. Through this fund, franchise owners can combine resources and purchase better advertisements to create a complete and national (sometimes international) brand. Access to this fund allows you to connect with more professional advertising that you can utilize to your benefit just for being a part of a robust franchise system.

5. Franchising is a way to take back control of your life.

Franchising allows you to be your own boss, allowing you the autonomy to set your own schedule and the freedom to keep that schedule. One of the advantages of franchising is that there are so many options to choose from, allowing you to pick a business that matches your unique desires.

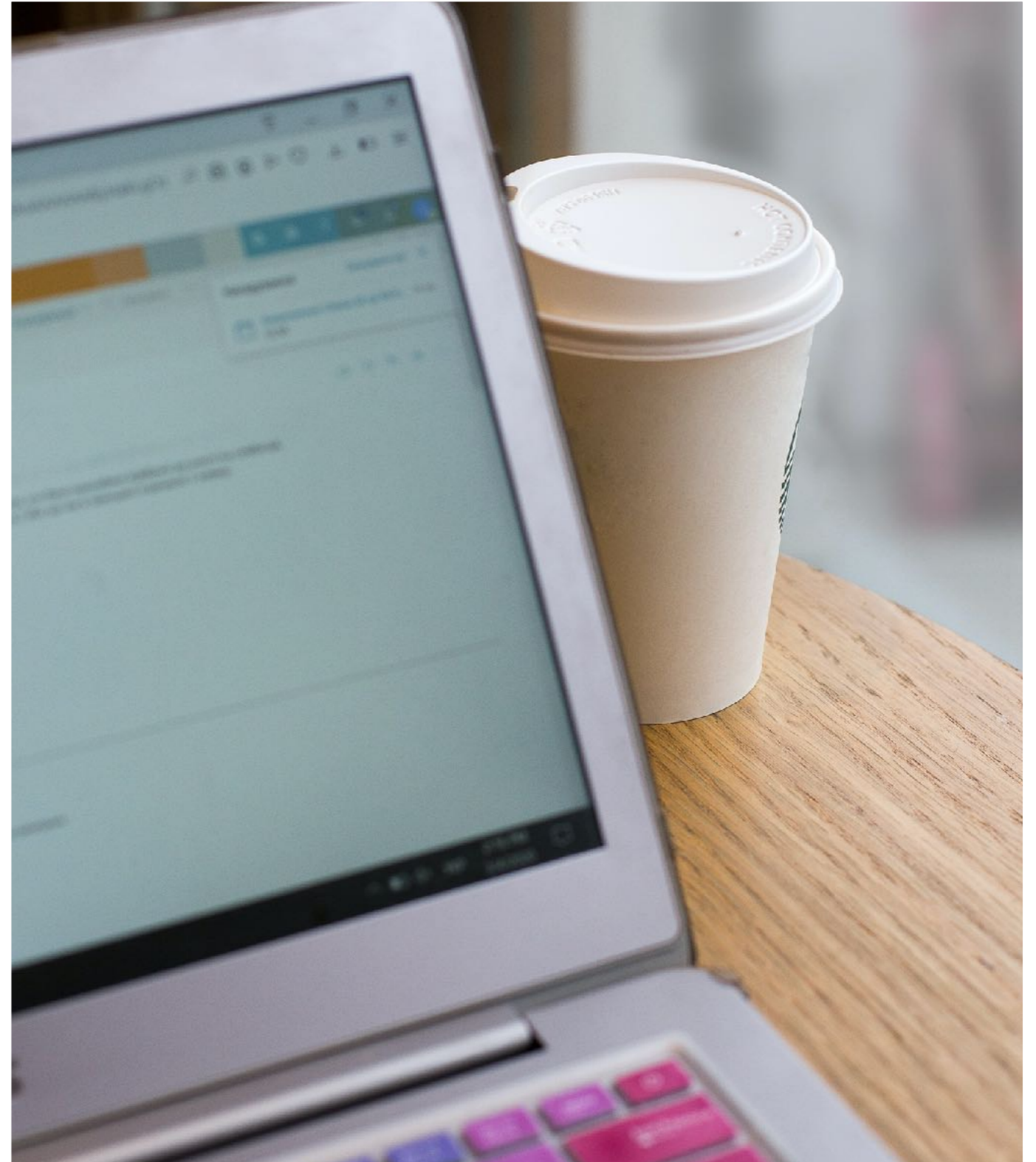
Six Reasons (Continued)

Franchising is complex and challenging, and it takes a lot of hard work and dedication to work as it should. However, unlike corporate America, which tends to take and take, you can enjoy the fruits of your labor. At the end of the day, you get to decide how much or little you want to be involved and how much you get paid.

6. Franchising can help you achieve your wealth goals.

Think about how your current company helps you with your financial goals. Is your income keeping up with inflation? When was your last conversation about compensation? And better yet, when was your last raise?

Many people looking into franchises have figured out that even if their work efforts create a significant amount of wealth for the company that employs them, they are not necessarily profiting off an equitable portion of that generated wealth. This lack of equity is one of the biggest reasons [people invest in franchises](#). The ability to control and create your own wealth is a great bonus to anyone looking into franchising because if you are willing to follow the set-out plan and put in the necessary hard work, the rewards of your own work will be yours.



Your Franchise Options

While the term "franchise" is synonymous with restaurants and sports teams, a whole franchising world is just waiting for you to discover it! To put it into perspective, there are more than **FOUR THOUSAND** franchise concepts in the marketplace that extend into almost every industry you can imagine. But before we jump in, a quick warning.

One of the traps many potential franchisees fall into is foregoing the investigative process and jumping straight to the popular new franchise that everyone's talking about. While this may seem like a no-brainer way to go, those are the ones that sell out of territory FAST, leaving you empty-handed back at square one. They also may not be the right fit for you.

Another thing to remember when [exploring franchise options](#) is that not every great business fits into a franchising model. Since the franchise concept is based on a specific business idea or segment, some just don't fit the duplication process required for a successful franchise model. But for the ones that do, many are home services, children's educational services and sports, pet care, senior care and support, business coaching and support, retail, health and exercise, beauty, childcare, and more. You are probably familiar with many of these concepts. Chances are, you have witnessed their success play out in the businesses that meet the needs of the people in your community. As you wade into the franchising space, you will be surprised at all the franchise businesses you use and know.

Regardless of what area you've seen have the greatest success or where you think potential interest may be brewing, you have to pause and take a look at yourself. What are you looking for in a franchise? What skills do you bring to the table when it comes to operating a business? What role within the business do you want to

fill, and which roles do you want to hire to fill? There are thousands of options out there for you to consider. We will use the answers to those and many other questions to determine your perfect fit.

Once you've narrowed your options, it's important to assess just how risky you want to be with your investment. Your ability to zero in on that accurately will help you decide if you're going to invest in a new, up-and-coming franchise or if you fit better in a tried and true franchise that's been around for a while.

While going with a concept that's been around for a while is a safe and great option, there's one truth you need to consider. With every idea out there, there will always be a way to do it bigger and better; and in the franchising world, no truer words have ever been spoken. Purchasing a well-known franchise opens you up to the world of competition. You will have competing franchises that have figured out how to build off of the idea of your franchise concept. Think about McDonald's vs. Burger King, Cycle Bar vs. Soul Cycle, or just about any home services brand in your neighborhood; they've all added something to their competitor's idea to make theirs just a little bit better. The bottom line is that competition is there no matter who you are or what you're in.

If you choose to be an early adopter of a fresh new concept, there will likely be some perks. One of the best will be that territory availability will not be at a minimum. Territory availability is a huge deal because limited territories are often the biggest obstacle to franchise ownership. However, there is a word of caution for those that choose to be early adopters of any franchise. While there are benefits, as we've already stated, when you're the first to invest, you don't have enough data to validate the business as with an already existing franchise.

Your Franchise Options (Continued)

Alternately, your validation and focus will likely lend themselves to promoting the corporate franchising team and other franchise locations instead of the franchising concept itself.

Regardless of which you choose, [finding your perfect franchise](#) is crucial. Many franchisees are in this for the long haul, so finding one you can go the distance with and believe in is half the battle.

Ask Yourself...

- What are you looking for in a franchise?
- What skills do you bring to the table when it comes to operating a business?
- What role within the business do you want to fill, and which roles do you want to hire to fill?



Franchise Models

Once you have narrowed your options, you need to decide how involved you want to be in your potential franchise. Is this something you're doing as an investment purely to grow your wealth? Or are you wanting to leave your current role and run the franchise full-time? One scenario isn't better than the other; it's all about the life you want to build for yourself. Zeroing in on how involved you want to be will begin to guide you to the type of franchising model that will suit you best.

OWNER-OPERATOR MODEL

The basic franchise format is an owner-operator model. The franchisee might be the point person, the person behind the counter, or the one in the truck providing the service with owner-operator businesses. The owner likely has one business and probably one location. It is a fantastic starting point if you have always dreamed of owning a business and working for yourself. In some ways, it's like buying a job, but you call the shots and own the business.

Because it's like buying a business, your new franchise opens faster than a traditional start-up business. Some people find balance and happiness in this model, and some gradually reduce their hands-on time in favor of paid labor as they grow the business.

THE EXECUTIVE MODEL

This is for business owners who want to leverage their business acumen, leadership skills, and capital to build a larger business. This model is popular for those looking to own a franchise and scale it up over time.

Over the long term, people choosing to leverage the executive model want to work "on" the business, not "in" the business.

They will always be engaged, but not necessarily as the day-to-day operator. The franchise owner may be involved 40-50 hours a week (full-time) but could also cycle to a semi-absentee model over time (8-15 hours a week). Either way, they focus on managing the manager(s), planning/executing the marketing strategy, and developing high-level business.

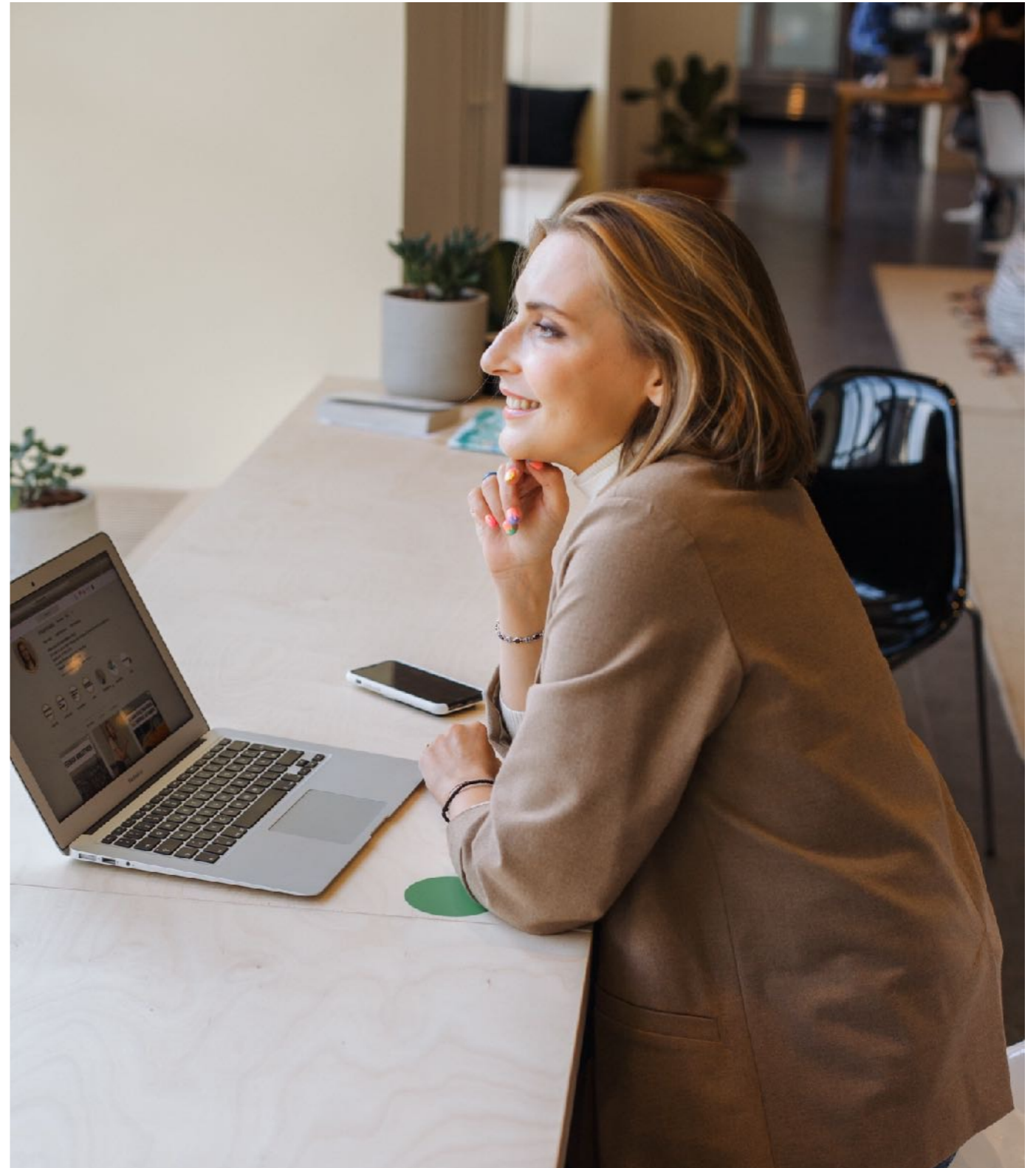
THE EXECUTIVE/SEMI-ABSENTEE MODEL

This business model may be an attractive business. The franchisee can keep their current job while building a business on the side to create supplemental income. They leverage a manager to operate the business from the first days it is open. The franchise owner must be good at leading and time management. This model is also great for building your franchise into a larger business and is perfect for retiring partners, executives, managers, and leaders from any industry.

One word of caution on this model, not all franchisors like or allow semi-absentee owners. Some franchisors are looking for franchisees that will devote all their time to growing the business. Yet other franchisors prefer semi-absentee owners. Whichever way fits you best, [I can help you](#) find the right situation!

“The goal of every franchisor is to have a successful system of franchisees. As much as you want to qualify for a specific opportunity in a franchising system, the franchisor knows the type that will fit the best for them. Be careful if you encounter a franchisor with no strategy to weed out different applicants. They may be looking to grow the number of franchises over finding quality franchisees. This is a business plan based on hope, and hope is not a strategy for a growing a successful franchise.”

-Mike Welch



Franchises are Awarded, Not Bought

As you continue to narrow your focus on the franchise type and model that may fit you, you should know that the franchisor plays a role in whether your franchise ownership dream becomes a reality or not. Obtaining a franchise is not like buying a shirt at Macy's, which anyone can do. Franchisors award franchises to potential franchisees that gain their approval and meet the franchisor's model.

Franchisors want to populate their organizations with suitable candidates who can learn and carry out their processes using the specified ruleset of their particular business. In addition, they are also looking for those individuals who can present their brand well.

A franchisor puts its brand, money, and time on the line when they choose to bet on you. Each company has developed a set of parameters to mitigate risk, and they use this to narrow down the field of candidates, making this a more straightforward approach for the franchisor. They also want individuals they look forward to working closely with since this business relationship should last for many years.

This sounds slightly over the top, but is it? We don't think so. Franchisors have a good reason for doing this. Successful franchise companies ultimately want their franchisees to excel so that they and all the other franchisees in their system can excel together. To do that, they have a refined system around a set of standards that has been their proven method repeatedly.

So, what are franchisors looking for when it comes to potential candidates? We're so glad you asked.

Capital

Most franchisors have a minimum net worth and liquid capital requirement when first considering a candidate for a franchise.

This requirement may seem obvious, but there are other demands on your financial resources besides purchasing the franchise. These costs include the length of time for your business to start becoming profitable and your living expenses during that time. While financing options are available to secure the additional capital you may need, no franchisor wants to see you start this journey with an unreasonable level of debt that could put your finances at high risk.

Personality

While the breadth of franchise owners' personalities is undoubtedly wide, some characteristics are common among successful ones. In order to discover those qualities in potential candidates, franchisors will ask some questions. They will want to know if you're willing to follow a system or if you prefer to blaze your own trail. When working with people, do you do well in a team environment, or do you like to work alone? And definitely expect them to try to uncover if you're a hard worker; your first year of franchise ownership will require that if you are going to be successful. While the answers to these questions won't tell franchisors everything they want to know about a potential candidate, they will help paint a clearer picture.

Skills

Your skills are among the most important things you bring to the table. Think about your previous background as you answer the following questions. Have you worked in roles where you were primarily customer-focused? What experiences have you had in leading a team toward a common goal? Do you understand financial concepts when it comes to running a business? What is your basic understanding of business practices, and how have you applied them? Each role you've had up to this point has helped you create an arsenal of skills that could be vital in running a franchise. Make sure you share them in conversations with the franchisors you meet along the way.

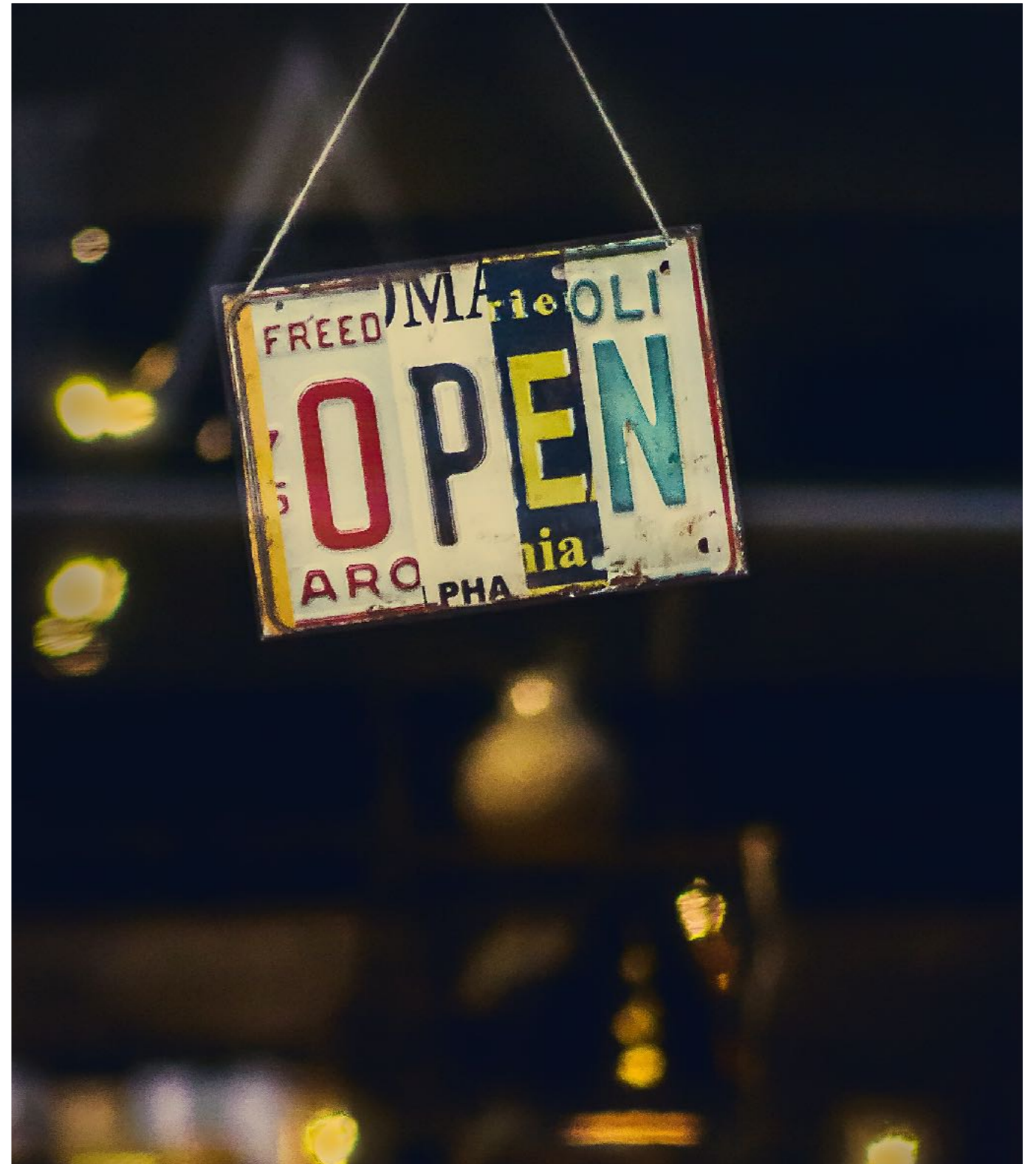
Franchises are Awarded, Not Bought (Continued)

Experience

With franchising, you'll be surprised to learn that the less experience you have in a particular franchising area, the better. Most franchisors prefer that you not have industry experience because they provide excellent training specific to their model. It's easier for them to train someone new to the field than untraining someone who's already developed a variety of habits that might conflict with their established system. So, less is definitely more in this category.

The goal of every franchisor is to have a successful system of franchisees. As much as you want to qualify for a specific opportunity in a franchising system, the franchisor knows the type that will fit the best for them. Be careful if you encounter a franchisor with no strategy to weed out different applicants. They may be looking to grow the number of franchises over finding quality franchisees. This is a business plan based on hope, and hope is not a strategy for developing a successful franchise.

*A new franchise opens every **8 minutes** during the business day.*



The Franchise Investigation Process

At this point in your process, we have found some great options that match the owner role and business characteristics that match the model we built for you. The next step is to directly connect you with those franchisors so you can start investigating everything you can about the franchisor, the business opportunity, the operation strategy, and more.

As you begin this step, you need to note that this is a process of elimination for both you and the franchisor. While you may go into your first meeting with the franchisor thinking the opportunity is a fit, they probably think otherwise unless you have a consultant who has already narrowed down the search for you. Each subsequent step you take together will give you more detail and information that will either support your future together or confirm that this is not the right next step for either or both of you. If you get to that point, one party simply informs the other, and the process ends.

Every franchisor has a proven process they take all candidates through to ensure franchisees learn everything and connect with people in the support structure and current franchises. While each may have a slightly different process, here are the most common steps in the process:

1. Introduction Call

The first step is introducing you to the company and the franchise concept. During this meeting, they may ask that you fill out a questionnaire to see if you have the general qualities and characteristics they are looking for in their potential franchisee candidates. As long as you both are still interested, the process will continue.

2. Brand and Franchisor Presentation Call

The call is about the brand that you have identified and about the franchisor as well. Here you will hear about the concept, history of the start, information about the founders, and the growth plan for the franchise locations/territories. If the franchisor has multiple concepts, you will hear about those as well. There will be a wealth of information here as you dive deep into where they have come from and where they plan to go.

3. Unit Economics Call

The call is a lot about the numbers. You will get an in-depth look at the economics of the business and what makes their business model suitable for franchising. You will look at the costs to start, ongoing costs, possible revenue targets, the cost of additional franchisor support, and more. This call is where you should get excited about all the business success possibilities.

4. The Franchise Disclosure Document Review

The franchisor will deliver to you and review the disclosure document, commonly referred to as the FDD, which is the FTC-mandated disclosure document that gives you a wealth of information about the franchisor. Its form and composition should be standard with any franchisor and include information on various topics as required by the FTC.

The Franchise Investigation Process

Franchise Disclosure Document (Con't.)

The major subject areas typically include:

1. The history of the franchise and its officers and directors.
2. A description of the business to be franchised.
3. The costs and fees that you will be subject to under the agreement.
4. The obligations of either party to the other during the term of the agreement and thereafter.
5. Relevant litigation history of the company or its officers.
6. Historical business failures, ownership transfers, franchise agreement terminations, or other potentially adverse information relating to the success rate of the existing units in the system.
7. Audited financial statements for the previous three years for the franchise company.
8. A list of the existing franchisees.
9. A complete copy of the actual franchise agreement document is usually attached to the FDD. However, the franchisor may provide it at a different time.

In the FDD document, some franchisors also include a financial performance representation (commonly referred to as an earnings claim). Though they are not required to include it with the FDD, this can be a real time saver for you when they choose to. In the event that the franchisor decides to include it in the FDD, it is imperative that you discuss this subject with franchisees during your fact-finding calls and visits. You should carefully review the FDD and note any questions or issues that the material raises for further

discussion with the franchisor. You may also involve outside advisors to review any unfamiliar material you receive during the discovery process.

5. Territory Selection/Availability Call

This call will clearly explain what territories or locations are available in your target area. The most important thing to think about here is future growth! Typically the territory fees are a minor part of the expense, so make sure you consider securing enough to grow and scale your business well into the future. One of the frustrating things is determining that you want to grow your business, revenue, and income, only to discover that the surrounding territories are no longer available. Unfortunately, this leaves you stuck at your current level or acquiring a totally different franchise and starting the learning process all over.

You are not interested in franchising because you want to be surprised; you are buying a franchise because of the proven value of the franchisor's system.

The Franchise Investigation Process

6. Talking to Current Franchisees

During your investigative process, your best source in learning what is really happening out in the field on a day-to-day basis are current and past franchisees. They were once in your shoes, walking the same path you are now. Their insight is the best you'll find because they are the ones out there on the front lines bringing the franchisor's systems to life in their communities. They know what is working well and what could use a little revamping. You won't find this information anywhere else!

One of the great things about the FDD, and why it's so important that you familiarize yourself with it, is that it contains all of the names and contact information for all current and past franchisees (who have left in the last year). Having this information at your fingertips keeps you from wasting any time searching for it and takes away any excuse not to call them. We suggest contacting as many current and past franchisees as possible. That will give you a good cross-section of experiences. Make sure to include some new owners in your cross-section of people as well; these are the ones that are just a step ahead of you and will most likely be able to warn you of any roadblocks you may encounter along the way.

As you speak with the more seasoned franchisees, pay attention to how they've been able to grow their franchises over time and what they would do differently if given a chance. As you build a rapport with them, you can begin to ask more in-depth questions about earnings and how they feel about the franchisor. For those operating in markets like yours, it will also give you a better idea of the costs you will face opening your franchise.

You can also reach out to those franchisees that have left the company, whether for personal reasons or because the opportunity was not a fit for them; they will still have information that will be helpful to you. In addition to sharing some of their negative experiences, they will still have some things to share that worked for them. As you compare the responses of these franchisees to those of the successful ones, you may see a trend that will help you determine two important things. First, you will begin to see if you identify more with one group or the other. From there, you will have an idea if a franchise's success or failure depends more on the individual franchisee's personality and skills or if its success lends itself more to the support of the franchisor and the system they've put into place.

Consider covering some of these areas to help you plan for these conversations.

The Franchisor/Franchisee Relationship

How do they feel about their relationship with the franchise company? Do they think the franchisor cares about their success and is willing to help them as needed? If the vast majority of franchisees feel good about the franchisor and their support, chances are high that you will have a similar experience.

Training

If you notice most franchisees didn't feel ready for their opening day, you can most likely determine that the training program needs work.

The Franchise Investigation Process

Opening Support

In what ways will the franchisor offer assistance and insight regarding site selection, negotiating leases, the building and permitting process, and any other areas unique to the business?

General & Ongoing Support

You should expect a glowing report on the overall support a franchisor provides from the franchisees that have been in business for a while. Take special note of how the franchisor implements innovations and changes to the current franchise system; this will help you see whether or not the franchisor responds to change in the marketplace.

Marketing Programs

Most franchisors collect marketing dollars from every franchisee and put them into a pool spent to promote the brand. Find out how the existing franchisees feel about the money the franchisor spends on marketing efforts. It would be wise to balance all feedback you get on this, as some franchisees think they're marketing experts.

Initial Investment and Fees

Before calling any franchisee, you should have read the franchisor's FDD, which will give you a wide range of the total initial investment required for opening this business. Ask them what they spent in comparison.

Purchasing Power

Does the franchisor use the collective buying power of the total system to get discounts on supplies and inventory beyond what an independent operator could achieve? This factor is one of the most significant advantages of joining a well-run franchise system and

could offset much of the fee cost associated with being a franchisee with an effective franchisor.

Earnings

You must have a strong sense of just where the average unit is in terms of earnings. You should learn the answers to the following questions: How much money does the typical unit make given a specified length of time in business? How soon does a standard unit start making money after opening? What is the range of answers to these questions? If you cannot determine these answers to your satisfaction in your research, do not settle! Tell the franchisor of the problem and that you cannot proceed unless you have these answers.

It is always a good idea to address earnings as the last point in your franchisee visits. Most people are reluctant to discuss their income with strangers, and you will find the franchisees are more willing to cover this subject after you have spent some time visiting with them. At that point, they know you're not a competitor trying to get information but rather a serious prospective franchisee who will need the information to proceed. They were all in your position at some point in the past.

The Franchise Investigation Process

7. Discovery Day

Usually, the last step of your franchise buying process will involve attending the franchisor's Discovery Day. During this day, you will go to the franchisor's headquarters and meet the franchising team, learn about their processes and support, and see if you are the right fit for the business.

You may be surprised to learn that there is a thoroughness to which you will be investigated during your Discovery Day because, as we've already stated, franchises aren't simply bought. Franchises, to some extent, are also awarded. Franchisors have good reasons to be this discerning regarding the people they let into their franchising system. Understanding this and their risk will help you prepare for your Discovery Day.

First, when you receive your franchise, you represent the business as a whole, and everything you do (good or bad) will reflect on the business. Customers have learned that everything is consistent when it comes to a franchise. If they have a terrible experience at one location, they believe they will have a bad experience at all of the locations. Therefore, when considering someone for a franchise, the franchisor must decide if each candidate has the right skills and abilities to follow their systems and present their business in the best light. If they don't hire the right people, the locations will not succeed and will have to close. If a company has to keep closing locations, it communicates to the public that something about its concept is not working; this, in turn, feeds into the cycle again and again. In addition, by law, each franchisor will have to list all of their failed franchises in their Franchise Disclosure Document, which may work against them as they try to attract new franchisee candidates.

Finally, in a majority of cases (almost 90%), the franchisor makes a portion of their revenue on royalties based on the franchisees' revenue. When a franchisee is successful, the more successful their franchisor is. It would be advantageous for each franchisor to vet each candidate thoroughly, helping both the franchisee and franchisor be more successful.

But Discovery Day is not all about them. The franchisor still needs to convince the franchisee that they know what they are doing and can support them every step of the way. By the time a potential franchisee gets to Discovery Day, they will have done a fair amount of investigation into the business and talked to an adequate number of other franchisees. Use this time to get answers to any outstanding questions because this will likely be the last face-to-face opportunity to do so. Franchisees will also have the chance to meet with the company's various teams, from operations to marketing to support, so it would be wise to have questions for those teams as well.

If everything falls into place, the franchisor may present you with an opportunity to purchase your potential franchise; however, that's only the case for some. While you might feel really good about how the day went, the franchisor may have decided that you are not a fit for their organization. To minimize this, potential franchisees should take these simple and easy tips to heart.

The Franchise Investigation Process

Dress to Impress

Although franchisees may consider this meeting an opportunity for a franchisor to sell potential franchisees on their business, you are also there to sell yourself. Your attire must reflect this, showing the franchisor you are serious about this opportunity. And while there might not be a need to wear a suit and tie to the interview, potential franchisees will want to look like they belong here.

Be Likable

One of the first things considered when awarding franchises is that a franchise is a family within the company itself. Together a group of franchisees sets out towards a common goal with the same tools, and when you want to join that group, it is best to be likable.

Remember to be personable, professional, and outgoing, maintain eye contact when speaking, and ask good questions. Be sure you are asking your questions from a positive and not a negative perspective. For example, ask, "What is your success rate?" vs. "What is your failure rate?"

Demonstrate your Business Savvy

Be prepared to discuss your business experience, especially experiences that can help you run a franchise business. Important areas to note can include managing people, customer service, sales, and marketing. One of the things you do not have to showcase here is industry experience. However, you can still remember the importance of industry knowledge. Showing your industry knowledge is a significant step in showing that you have done your research and know what you are talking about.

Show you can Follow a System

Franchisors are not looking for someone to reinvent their business model. If you are trying to improve the concept instead of following the already laid out system, that is a red flag for you and the franchisor. Don't tell the franchisor all the ways that you can improve their system by adding onto it or changing it. If you have this mindset, franchising may not be for you, and it may be worth investigating independent entrepreneurship. But if you can get behind the system the company has in place, then make sure to comment on how thoroughly documented their plan is and how you plan to follow the system to success.

Prove you are Financially Qualified

Nobody wants you to go into considerable debt, especially your franchisor. Each franchisor knows at what point each new franchisee should be able to hit their break-even point. As part of your research, you will need to know how you plan on obtaining your financial support until you reach that break-even point. Remember to bring that information with you so that you will be prepared and ready to join the team when the question comes up.

Purchasing a franchise is different from buying most things. The franchisor will evaluate you for all the criteria we have stated above; personality, experience, compatibility, and financial stability. If you do not measure up, they will not risk their business on you. You must prepare accordingly; you've put in a lot of time and hard work researching this franchising opportunity, so don't let the opportunity slip through your fingers. With the right attitude and basic research, you can ensure that your Discovery Day ends with a handshake and a signed deal.

The Franchise Investigative Process

8. Signing on the Dotted Line

Many franchisors will be prepared to offer you a franchise contract at your Discovery Day. The FTC Rule requires that a franchisor provide a franchisee candidate with the contract for review at least five business days before execution. The FDD must be received a minimum of 10 business days before you sign the contract or pay any money to the franchisor.

You can hire an attorney if you need any help understanding either of these documents. However, make sure you find one who does a significant amount of work in the franchising industry. You must have a thorough knowledge of and confidence in these documents before attending Discovery Day.

Knowing that you have made it through the franchisor's entire investigation process and ended by attending Discovery Day, they expect your final decision at the end of Discovery Day or very soon after. It's similar to a marriage proposal. The expectation is there that you will think about and consider how the decision will impact your life, but taking a week or longer might send the wrong signal. It could come across as you have significant doubts and are not excited about the opportunity they have presented to you. Therefore, make sure before you get to your Discovery Day that you have taken into account all of your concerns, options, financing decisions, and life changes so that you can make that final decision within a reasonable amount of time.

Despite how prepared you are, you've probably had some anxiety creep up because this purchase will involve some risk. You know how to manage it because we've talked about it in a previous section. So, the choice is now yours to either sign on the dotted line

or decide that this one's not for you and walk away. What will you do?



The One Thing That Will Stop You DEAD in Your Tracks...

F E A R

Buying a franchise is a BIG decision; you're doing what most people are afraid to do. So, it's natural that your nerves are starting to kick in. And if your nerves aren't the problem, one of these thoughts has probably crossed your mind.

- **You need to sleep on this decision.**
- **You should look at a few other companies to ensure this is right.**
- **You need to bring in another person to speak to this decision.**
- **You devised a doomsday scenario about why this purchase may really not work out in the long run.**

It's important to remember that almost all franchisees, just like you, experience anxiety when they get to the end of this process. So, when those anxious times come, turn your focus to your "Why."

- **Why do you want to step out into a new opportunity?**
- **Why will this change make a real impact on your life?**

After you bring your focus back to why you're in this process, ask yourself...

- **Is this still what you want to do, not what someone else wants?**
- **Is this franchise option the path that will get you there?**

Walking through these steps will help lessen your stress, bring clarity to your situation, and help you make an informed decision when it's time to purchase.

Financial Options For Funding Your Franchise

Capital is a big piece of the puzzle when considering a franchise. It's easy to see why it would be at the top of the list of what franchisors are paying attention to when it comes to potential franchisees. So, what are the qualifications for buying a franchise?

As we've already stated previously, most franchisors have a minimum net worth and liquid capital requirement for purchasing one of their franchises. And while it is true that franchisors want you to avoid going into unnecessary debt with your franchise purchase, there are financing options available.

After looking at the financial information provided by the franchisor, we highly encourage you to do your own financial evaluation for your own peace of mind. Taking the extra time to complete this evaluation ensures that you know what you're getting into and that you're comfortable with the financial expectations. It's also an excellent opportunity to reach out to already established franchisees within the company to see how their financials compare. When talking with them, make sure to ask how much income is realistic not only in the first year but also in the second and third years. You may also want to ask what some of their best practices have been regarding their efforts to boost their location's income.

During this part of your investigative process, it is important to remember that even if the numbers check out and you have enough cash to finance your franchise purchase, this may not be the best plan for you. You need to weigh the "opportunity cost" of tying up your capital and compare it to the "hard cost" of another type of financing. **Investing in a franchise is too big a purchase to risk having buyer's remorse.**

Now that your financial evaluation has checked out, how will you finance your franchise purchase? We will be able to connect you with a Franchise Funding Professional. Of course, you can go to your bank, but most do not have in-depth experience with all the different ways you can fund your franchise. Financial institutions are primarily interested in the options that make money for their company. However, a Franchise Funding Professional will give you all the different options, even ones that don't involve them. Here are some of the various options available to you:

A Line of Credit from the Bank

A line of credit from the bank only works if you have sufficient personal collateral to secure a loan for the amount you need. This collateral is usually in the form of home equity. Banks require collateral on most loans because they will want recovery if you default on the loan - and this is true whether your business is a corporation or any other type of entity. Besides giving banks a way to recoup a loss, when you have personal collateral on the line, it gives the bank some assurance that you will work hard to protect your investment and theirs.

A loan from a financial institution is called Debt Financing. The usual sources are banks, credit unions, or commercial finance companies. If you decide to borrow money, remember that lending institutions require you to pay cash for a part of your business start-up costs - usually 20 to 50 percent.

Financial Options For Funding Your Franchise

The Small Business Investment Company Program (SBA)

Recognizing that small businesses are an essential part of our economy, the government has established, through the SBA, its own loan program. The SBA does not make the loans but is primarily a guarantor of loans made by private and other institutions. You can find out more about the loan programs offered by the SBA at <http://www.sba.gov/>

Equity Financing

Equity financing requires that you sell someone an ownership interest in your business in exchange for capital. Investors may be friends, relatives, employees, or professional investors, generally known as Venture Capitalists. Attracting venture capitalists to help you purchase a franchise may be difficult, as they are usually more interested in companies with great potential rather than single-unit/multi-unit/territory-based start-up franchise companies.

Retirement Accounts (ROBS program)

If you have an IRA or other retirement saving account, you can use that money to help invest in a business. The government created the ROBS (Rollovers as Business Start-Ups) to encourage small business ownership. By working with a financial advisor, you can set up an account that allows you to use retirement funds for investing in a franchise without taking a taxable distribution or incurring penalties. Essentially you are investing in yourself and saving the debt you'd incur by taking out a loan. As your business becomes profitable, your retirement account will also realize gains – tax deferred.

Franchisor Financing

Some franchisors work directly with financial companies to provide loans for new and existing franchisees, often at low-interest rates. This may be a good option if you can qualify for the financing.

Partners, Friends and Relatives

If your friends and relatives have confidence in your entrepreneurial abilities, they may be willing to loan you money as you begin your business venture.

Private loans

These loans are often provided at a low-interest rate which can be helpful as you get started. You may also want to look for a partner to help you finance and run a business. This option may be good if you lack business skills or experience. We've seen great results when partners complement each other, for example, when one is a dynamic cold caller and the other can handle the employees and customer service aspects.

- ***There are over 774,000 franchise owners that employ over 8 million people in the US.***
- ***1 in every 7 businesses is a franchise.***
- ***97% of self-employed professionals say they would never go back to traditional employment.***

Your Next Step

Wow! That was a lot of information, right? Which is why I do what I do. I am here to help you through the process and to make the process work for you instead of you working for the process. There are some rough spots along the way, but making it through to running your own business is a **huge payoff**.

If you are interested in owning your own franchise business after all this, let's talk! When you're ready, reach out directly to me or set up a convenient time to for an [intro call](#).

You can also connect with me any time through via email at mwelch@franchise.com or by calling me directly at **320.291.8141**.

I look forward to connecting and helping you find your perfect franchise opportunity!

-Mike

