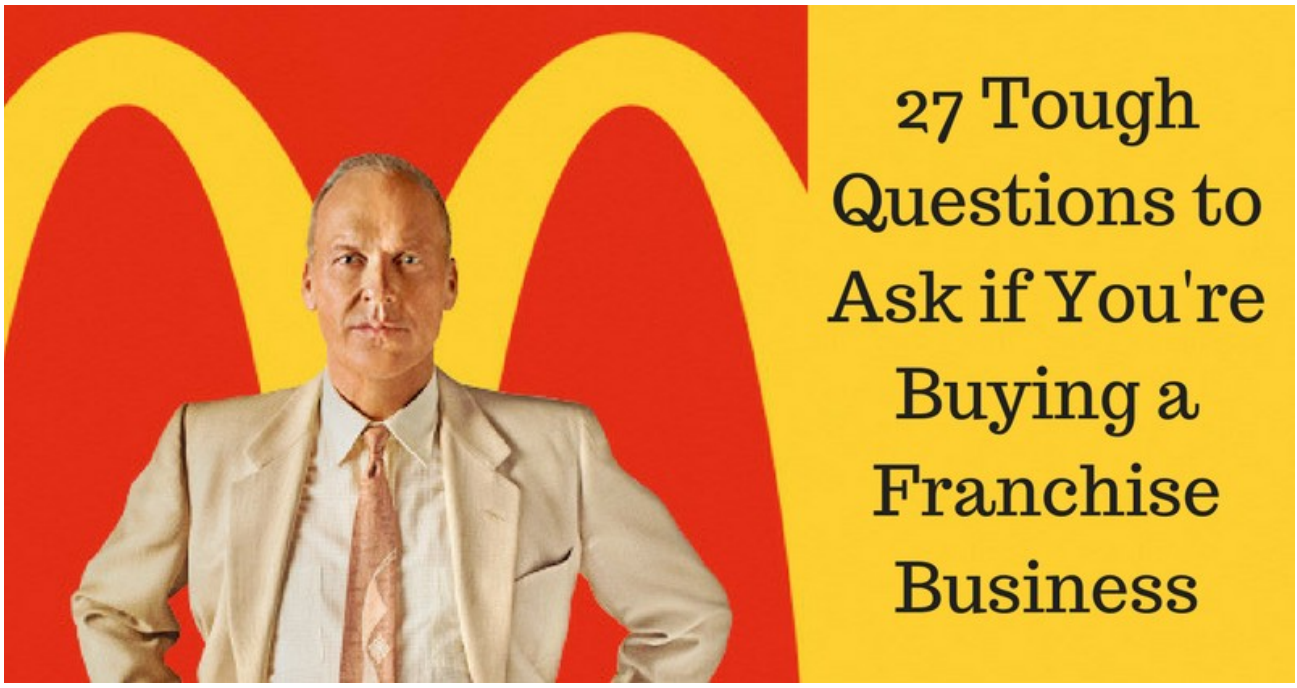
27 Tough Questions to Ask if You're Buying a Franchise Business

Did you see The Founder, with Michael Keaton as businessman Ray Kroc? This is the true, behind-the-scenes story of how Kroc purchased a burger restaurant from the McDonald brothers and created the McDonald's fastfood chain - what both sides did right, and what they did wrong! Know Before You Buy: Here are 27 tough questions to ask before you start life as a franchise owner.



Background

1. How did this business get started?
2. When did you sell your 1st franchise?
3. What are your future growth plans? What are your income streams and profits?
4. Why should I invest in your franchise, and not another?

Leadership

5. What is the experience of your leadership team?
6. Who would my contact be as a franchisee?
7. Can I meet and talk with other franchisees?
8. How do you evaluate whether a potential franchisee is a good fit for this business?
9. How do you communicate with franchisees?
10. How do you resolve disputes with franchisees?

Financing and Legal

11. What is my investment cost to open?
12. After my start-up costs, how much operating money will I need to break even, and to make a profit?
13. How many franchise locations do you have? How many are profitable? How many fail each year?
14. What are my franchise fees and obligations: rent, utilities, monthly royalty, marketing costs, advertising fees, insurance, legal fees, etc?
15. What are my potential profits? What royalties do I pay? What's my revenue stream?
16. How is a location secured? Who holds the lease?
17. What is a franchisee's liability and obligations if the business or the franchisee is sued?

Training and Operations

18. How does training work: onsite, offsite?
19. What is your ongoing training and support?
20. Is there a written operations manual?
21. How does it work if I have an idea for growing the business? Am I allowed to innovate? Do I get a royalty if my concept is implemented system wide?
22. What steps are taken for quality control? How do you assure my franchise is not damaged by another franchisee's failures?

Marketing and Sales

23. How do you research and track consumer demands for this product? What is the business plan for my potential franchise?
24. Do I have exclusive franchisee rights to a specific geographic area?
25. Are you a member of any business organizations, such as Chamber of Commerce?

Exit Strategy

26. Do you have any plans to sell the business?
27. What are the requirements if I want to sell my franchise?

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