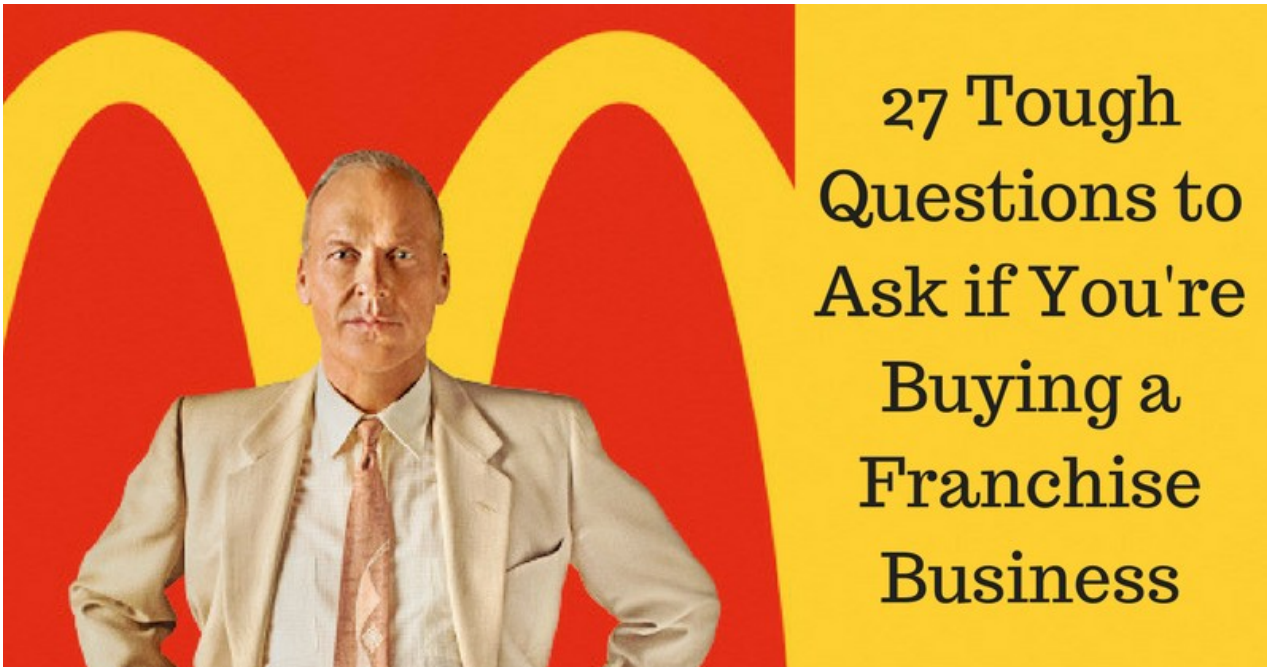


27 Tough Questions to Ask if You're Buying a Franchise Business

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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