



Selecting the "Right" Franchise

By C. Everett Wallace

For many people, the dream of financial independence starts with owning a franchise. But selecting the "right" franchise is not a simple task. According to the International Franchise Association (IFA), the leading trade association for the franchise industry, there are more than 5,000 franchise brands operating in the United States with more than 500,000 outlets, covering more than 75 industries. There is an old axiom that says that the three most important things for success in real estate are—location, location and location. Well, the three most important factors for success in selecting a franchise are—research, research and research.

Franchisers grow their companies by convincing potential buyers to purchase the right to sell goods or services under its brand name. But there should be no doubt that it is the responsibility of the potential franchisee to do his or her "due diligence" and to ensure that they have selected the "proper" franchise brand. Doing your "homework" is critical to making the proper selection. While there is no set formula, any potential franchisee should allocate at least 6-9 months to the "due diligence" process. Remember, in the process of selecting a franchise—haste, will not only make waste—it will cost you money.

Essential **R-E-S-E-A-R-C-H** elements include:

READ everything you can about franchising. Make use of the Internet to increase your baseline knowledge of franchising and the various franchise brands that you might want to consider as a future career.

EVALUATE yourself. Critical undertakings that should occur at the start of this process include an assessment of one's self, financial needs and current financial conditions. Most franchise agreements are for 10 to 20 years. These businesses are usually time intensive and they can have a tremendous impact on the franchisee's family life.

STUDY the market. Most prospective franchisees are interested in starting a business in their current geographical location. One must determine if there is really a need in the market for the product or service that the brand offers and the level of competition in the targeted community.

EXPLORE your choices. As indicated earlier in this article, there are a wide variety of franchises to be considered by anyone looking to start a franchised business. One should not "fall in love" with a business or a business concept before he/she has completed their due diligence process.

ASK the "right" questions. Asking questions is an indispensable part of the due diligence process. The right people include: company's sales and operations staff, and senior management as well as current and past franchisees.

REVIEW all of the information. After all of the due diligence process has been completed, the potential franchisee must reflect on every piece of information he/she has been able to gather on each brand and if necessary, should do further research to fill in gaps.

CHOOSE your top franchise(s). At the end of the review process, a potential franchisee should reduce the choices to no more than three franchise concepts. If you have not already done so, you should begin to schedule personal visits with each of your chosen franchisers and setup meetings at their headquarters.

HIRE a franchise attorney and a franchise accountant. This is a very different business relationship and you want to ensure that you have experienced representation and advice before you enter into a franchise agreement.

RESOURCE GUIDE – WEBSITES

National Minority Franchising Initiative (NMFI)

(www.minorityfranchising.com)

International Franchise Association (IFA) (www.franchise.org)

BLACK ENTERPRISE Magazine (www.blackenterprise.com)

Wall Street Journal (www.startupjournal.com/franchising)

Small Business Administration (SBA) (www.sba.gov)

Resource Guide—Books and Periodicals

NMFI's Minority Franchising Guide

IFA's Franchising Opportunity Guide

Uniform Franchise Offering Circular (UFOC)