



## **INVESTIGATING FRANCHISES**

*by Rick Shampaine and Dan Bish*

The purpose of this article is to assist those who are in the investigative process of owning their own franchise business, and to set the stage for subsequent interaction with our firm. Rick Shampaine and Dan Bish, each with over 25 years experience in the franchise industry, are committed to assisting you in the search for franchises that represent a good fit for you, and guiding you in the research into each of them.

### **HARD WORK**

Finding the right business is like finding the right job...only harder. Be prepared to spend several dozen hours doing your homework as outlined below. If you do not feel you can afford the time, abandon your search now! A half-hearted attempt will prove to be a waste of your time and a waste of the franchise company's time. It's not too late to cancel your investigation before it gets involved, so consider doing it now. By the way, if you cannot or will not be in a position to return phone calls and/or keep appointments with franchisor representatives, this will reflect poorly on you, and to some extent on us as well. Please, either honor your commitments, or don't proceed.

### **NARROWING THE FIELD**

Ultimately, your goal is to select the franchise business that presents the best fit for you. However, beware the trap of eliminating a franchise prematurely based on preconceived notions, insufficient investigation, etc. All too often, a candidate will prejudge a franchise solely on the basis of sales literature or website, or a first impression formed after a brief conversation with a franchise development individual working for that franchise. Don't succumb to this temptation! You may eliminate inadvertently the best one without realizing it. Force yourself to review the literature, have a follow-up conversation with the franchisor representative in order to understand their program and explore all of your concerns, and even call one or two franchisees before you eliminate any of them. This will help to insure that the ultimate selection of a franchise is safe, affordable, and a great fit for you.

### **CONTACT WITH US**

We are prepared to be your consultants for the duration of your investigative process. Although you do not compensate us, we seek the same thing you do—a proper selection for you. Without this, our business, which depends heavily on

referrals from happy clients, will not grow. **DO NOT HESITATE TO REACH OUT TO US DURING THE DAY OR EARLY EVENINGS, SEVEN DAYS A WEEK** with questions, concerns, comments, or just to use us as a sounding board. While each of us has our own separate clients, either of us is happy to take a call from any of our clients.

We likely will schedule follow-up meetings or telephone conferences, typically occurring several days apart. Each time, we will review your progress thoroughly, answer more questions about individual programs, take stock of where the search is heading, and schedule the next meeting or conversation. We would appreciate you honoring your commitment for follow-up conversations with us, as well as with the franchisor sales people. If you can't make it for unforeseen reasons, please leave a message or send an e-mail. We can always reschedule.

### **EVERYTHING REVOLVES AROUND FOUR KEY ELEMENTS:**



**CONSULTATION**



**PRESENTATION**



**DUE DILIGENCE**



**DECISION**



#### **CONSULTATION**

The first step in this process is your initial consultation with one of us. First, you'll complete our Franchise Candidate Questionnaire. It only takes a few minutes to fill out but gives us a good idea of your likes and dislikes, motivations, etc. so that we have a better idea of what types of franchises might be a good "fit" for you. Please be somewhat "picky" when completing this form as it is our goal is to find your Preferred Business Model – a franchise that meets both your financial expectations *and* your lifestyle goals. Don't succumb to thoughts like, "I'll work hard at anything where I can make good money", or "I don't want to limit my choices." Limiting your choices is precisely what you and we want to do, unless you are prepared to investigate the more than 3,000 franchises that are out there! Once the questionnaire is completed, we'll conduct an informal interview using it as a guideline.



#### **PRESENTATION**

After this initial interview, it's on to presentation, where we will identify to you those franchises that, based on the information you supplied in your Candidate Questionnaire and the initial interview, represent a good fit, discuss them with you, and, with your permission, we will recommend you to one or more franchise companies. The representatives of these franchise(s) will then contact you to introduce themselves, follow up with a sales package and schedule an in-depth conversation. It's important to point out that while this is a "sales" process, it's a lot different situation than what you may be accustomed to. The franchisor isn't in

the business of simply awarding a franchise to anyone who comes along. They have to be selective for two important reasons. If you become their franchisee, they earn money from your results. Poor results on your part equal less or no income for the franchise company. Furthermore, your failure will have a direct effect on their ability to continue to sell franchises, and becomes a matter of written record in a document that must be presented to future prospects (see FDD below).

So, please have your conversations with the representatives in the time frame mutually agreed, or call them ahead of time to reschedule if you will have a conflict. Remember: these individuals are evaluating you on behalf of the franchise, just as you are evaluating their opportunity. You only have one chance to make a good first impression.



## **DUE DILIGENCE**

Early on in the due diligence process, your franchise company rep will discuss something called a Franchise Disclosure Document (FDD). Because franchising is a process that is regulated by the Federal Trade Commission, you must be given this document at least 14 days before you are allowed to commit to a franchise. In it is a great deal about the workings of the franchise and the history of the franchise company, as well as a list of past and present franchisees and their contact information. Armed with this, you can make your investigation as safe and accurate as possible. You'll be asked to sign a receipt form noting the date you received the FDD. This form is prescribed by the Federal Trade Commission.

When the FDD is offered to you, review it carefully. It's long and tedious, but full of information that will assist and inform you. We'll be glad to help you understand it and, should you have genuine interest in the concept, you should show it to a lawyer, if necessary. If you need to have a franchise attorney identified to you, let us know.

## **VALIDATION**

One great thing about the franchise sales process is that the franchisor is required to provide in the FDD a list of franchisees along with their contact information. Armed with this information, you can now validate everything you've been told by the franchise representative regarding training, support, or even earnings. We'll provide you with a list of questions to use and even coach you on how to prepare for these important calls.

Eventually, you might schedule a meeting with the franchise company itself, typically at their headquarters. This is called "Discovery Day". Don't be alarmed if a franchisor invites you to pay a visit. They are NOT looking to take you in a back room and "rubber-hose" you into submission. They want to get to know you better and develop a comfortable feeling about inviting you to join them, as well

as furthering your education about them. In all probability, you will not discover a tremendous amount of *new* information about the franchise itself at such a meeting, as you should have a pretty good understanding of what they are all about before agreeing to visit them. However, this is an important opportunity to get to know the people with whom you are considering going into business.

A final note on Discovery Day: Do your homework before going! Don't go with the idea that the franchisor is going to put on a "dog-and-pony show" for you and that's it. You're there to get answers to the issues that are important to you, not just what they want to present to you. Have your questions ready, and make sure they get asked *and* answered. And realize, still, that this is a mutual approval day, a chance for you to impart to them why you think you'd be a good fit for their franchise concept.

### **THE BUSINESS MODEL**

In the course of investigating franchises, your attitudes about your needs and wants may change somewhat. The process itself is a learning experience. You may find that you started out looking at the wrong franchise(s), and need to change directions. Champagne-Bish has a sizeable number of franchises in our inventory. Let's don't waste time on the wrong ones. Let us know promptly if none of them seem to "float your boat". A second appointment may identify one that is a better fit.

### **FINANCING**

Not everyone can write a check for the total investment in a franchise. Financing is often available to qualified prospects. It is available from a wide variety of resources. Both we and the franchise companies can offer suggestions for such resources.



### **THE FINAL STEP – THE DECISION**

So, you've spent hours reading the brochure and the FDD, you've spoken us, with representatives of the franchise, as well as franchisees, and even visited the franchise company and/or franchisees. You feel comfortable that you have found a safe, affordable, positive match for you. You're not done yet! You have one more thing to do. Go back to the beginning of your search when we formulated a "shopping list" of elements that you wanted in your franchise business (your "business model"). Does the one you think is right for you contain those elements, or did you get sidetracked along the way? Talk with us about the discrepancies. Maybe they are the result of the learning curve inherent in the search. Either way, we're here to help you through the process.

Finally, whether you have sought our assistance in the process or not, we wish you all the best should you decide to go forward with your new venture!

We'll leave you with this quote – and hope you heed it's advice!

***"What are the facts? Again and again and again--what are the facts? Shun wishful thinking, ignore divine revelation, forget what 'the stars foretell,' avoid opinion, care not what the neighbors think, never mind the un-guessable 'verdict of history,'--what are the facts, and to how many decimal places? You pilot always into an unknown future; facts are your only clue. Get the facts!" Robert A. Heinlein***