



Buying A Franchise 101

How To Get Started If You Think
A Franchise Is Right For You

Introduction

If you're thinking of buying a business, you may want to consider buying a franchised business. The economic impact of franchising is huge. A few facts from the International Franchise Association's Franchise Business Economic Outlook for 2015 are enlightening:

- Projected growth of the number of franchise establishments in 2015 is projected to reach 781,931 an increase of 1.6 percent, matching the pace of growth in 2014.
- As employment growth economy-wide continues to strengthen, employment in the franchise sector will continue to outpace growth in businesses economy-wide, as it has in each of the last four years. Franchise employment is expected to reach 8,820,000 jobs, a 2.9 percent increase, while total private nonfarm employment will increase 2.7 percent.
- The 2015 forecast for economic output of franchise businesses in nominal dollars continues to show an increase of \$890 billion or a 5.4 percent increase- ahead of the \$845 billion (5.0 percent) gain in 2014. The gross domestic product (GDP) of the franchise sector will increase by \$521 billion or 5.2 percent in 2015, an increase over the \$496 billion generated in 2014.
- This will exceed the growth of U.S. GDP in nominal dollars, which is projected at 4.2 percent. The franchise sector will contribute approximately 3 percent of U.S. GDP in nominal dollars.

With so many concepts, in so many different industries, how do you find the RIGHT one for YOU? Here are some guidelines that will help.



Finding Your Perfect Franchise

Step One: Self Analysis

You have a better shot of finding what you're looking for, if you know what you are looking for.

Determining if you are fundamentally mentally and financially prepared to be part of a franchise is the first place to start. For that, we highly recommend visiting the IFA website's "Franchising 101" section.

Perhaps the hardest part of finding the right franchise opportunity is the before-hand contemplation that's necessary even before you begin searching. Your search process will be faster and produce better results if you know the answers to the following questions first:

1. Are you prepared to follow the system of operation that would be provided by a franchisor, or do you really prefer doing your own thing?
2. What geography do you want to be in?
3. How much money do you want to make in Year 1, Year 5, Year 10?
4. Do you want to manage employees?
5. Do you want to be hands-on or more absentee?
6. How many hours per week are you willing to work?
7. How long do you want to work on the business before retiring?
8. What industries excite you?
9. What are your greatest personal strengths and weaknesses?
10. Would you rather sell a product or service?
11. How risk tolerant are you? Do you want an established, mature business or something new and emerging?
12. How much capital do you have to invest?

If you are able to jot down specific answers to the above questions, you will greatly refine your search parameters.

Step 2: New Or Existing?

You'll need to decide if you want to start a completely new franchise in an unopened geography, or if you'd rather buy an existing franchise that is up for sale. Here are some of the important differences to keep in mind:

- An existing franchise will have cash flow in place, as well as people, procedures, brand awareness, etc. Assuming it's profitable, it will likely cost more than buying a completely new franchise though. This is where you'll need to think about your investment capability.
- Along with all the good things about buying an existing franchise, you might get some bad things too, such as negative reviews/word of mouth, processes you'd do differently and unfavorable lease terms. Some people would just prefer to start from scratch and do it their own way.
- While financing options exist for both, it's typically easier to get an existing, positive cash flow, business funded than a completely new franchised unit.

If both options are equally viable for you, you might find the choice is made for you based on the franchise opportunity you select and the available territory.



Step 3: Begin The Hunt

With your self-analysis complete and the new vs. existing decision contemplated, you're then ready to start researching some franchise opportunities. Most people begin on the internet.

If you know the specific franchise system you're interested in, you can go directly to the franchisor's website. There you will typically find information about the industry, business model and investment criteria. You can also use their franchise locator function to make a preliminary determination if any of your target geographies are available; you typically won't get an indication if a franchise is up for sale, though. If you like what you see, you can request more information and a representative will follow up with you.

To conduct a broad-based franchise opportunity search using your established selection criteria, there are a number of websites that aggregate information about franchises into one, searchable database. A list of franchise opportunities that match your criteria will be returned, typically with a short profile, and you can decide if you'd like to request more information about one or several (note, these are for new franchise opportunities, not existing franchises for sale).

Some of these websites are:

International Franchise Association: www.franchise.org

Entrepreneur: www.entrepreneur.com

FranchiseDirect: www.franchisedirect.com

FranchiseGator: www.franchisegator.com

FranchiseSolutions: www.franchisesolutions.com

A word of caution: Not everything you read on the internet is true (shocking, right?). Websites will often have outdated or incorrect information posted, so try to verify material information, especially if it's either overwhelming positive or negative.

Keep in mind, when you request information you are giving the signal that you're a serious potential buyer and representatives will follow up with you (the good ones, at least). So be prepared to engage in the process before hitting the Submit button.

If both options are equally viable for you, you might find the choice is made for you based on the franchise opportunity you select and the available territory.

Finding Information About Existing Franchises For Sale

You'll want to look in different places than those above if an existing franchise is your aim. Here are some places to try:

- Many general 'business for sale' websites advertise existing franchises that are for sale. Typically it's just a check box on the advanced search page.
- Many people who choose to sell their franchise elect to work with a business broker. So you'll want to connect with a business broker in your targeted geo that has experience with franchises.
- Give the franchisor a call and ask if the unit(s) in your targeted geos are for sale. Many franchisors, especially the big ones in food service or retail, will know this.

Step 4: Consider Professional Guidance

There is an industry of Franchise Consultants that specialize in helping people find and evaluate franchise opportunities, at no cost to you. These Consultants are paid a fee by the franchisor, if you elect to purchase a franchise. Consultants can be a great way to reduce your investigation time and most can offer you valuable insights throughout the process of vetting and purchasing a franchise. Some added thoughts on Franchise Consultants:

- Find a Consultant you are comfortable with and have good rapport with, as you'll likely be working with him/her for several weeks.
- Most Consultants will start their engagement with you by requesting completion of a Confidential Questionnaire that includes questions such as those in Step One, so still anticipate the self-analysis.
- Consultants are usually affiliated with national networks that have pre-established relationships with hundreds of franchisors, however, most Consultants will wind up specializing in 10-15 concepts. Ask your Consultant about their placement track record and with which franchises.
- The Consultant will outline a framework for working with you, consisting of scheduled calls and touch points. You'll have the best experience and results if you commit to that framework and remain active, engaged and responsive throughout the process.
- Like most professions, the vast majority of Franchise Consultants are very professional and then there are some bad apples. Some Consultants push franchise concepts on people simply because the franchisor is paying a high referral fee, and not because it is a good fit for you. Always keep your criteria in mind and question if something is presented to you that seems way off base.

In addition to representing non-franchised businesses for sale, your local Sunbelt office can also advise you on franchised businesses that are for sale in your area. Nationwide, Sunbelt maintains relationships with the top franchised concepts and can help align you with the right opportunity.

Conclusion

As the adage goes, franchising is a great way to be in business for yourself, not by yourself. For some people it's a better fit than buying and running a business solo. The hardest part is determining, with a high degree of specificity, exactly what you want. Without that clarity you can invest a lot of time, and make a bad choice that's overly clouded by emotion and excitement. Places and people exist to help you in the process, but maintain your level head and question information that just doesn't seem right. Participate in the process, stay focused, and you can find the perfect franchise for YOU.



For help preparing your business for sale and finding the right buyer, the experts at Sunbelt Business Brokers can help. With over 35 years experience buying and selling businesses, we can help you find the right buyer for you.

Contact us today for a free consultation at
www.sunbeltnetwork.com/locations/
