

SAYING "I DO" TO A FRANCHISE



Saying “I Do” To A Franchise

Like marriage, adding a franchise along with your existing small business is a long-term commitment. Before you say yes, make sure you understand what it will take to make this new addition to your business portfolio successful.



■ The Commitment

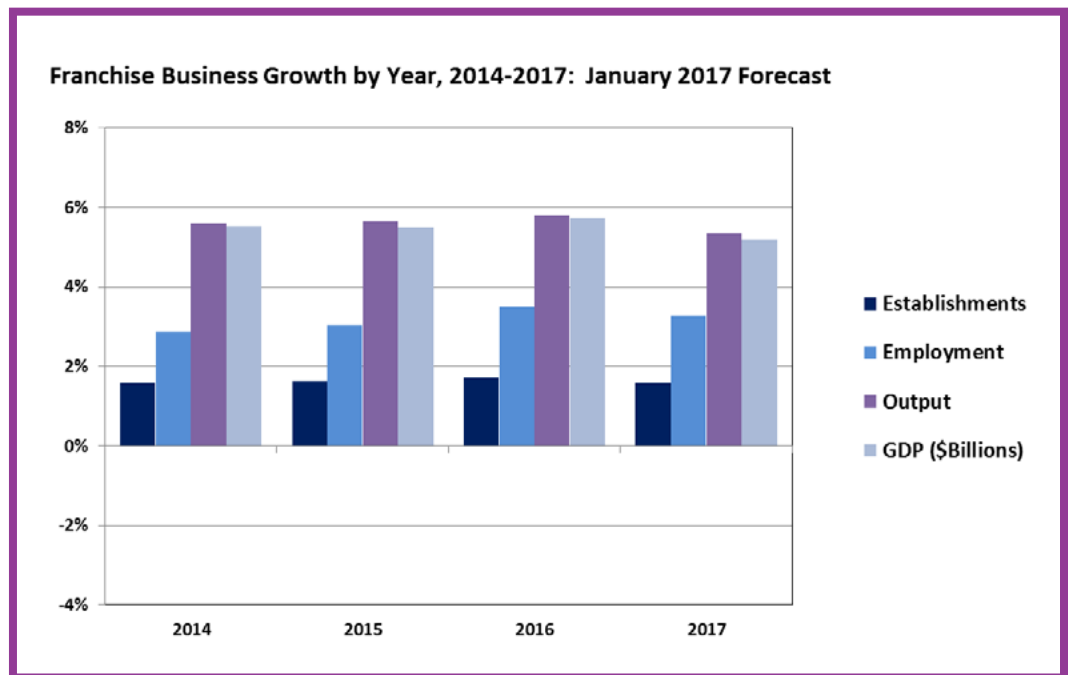
Being your own boss means control. It means you call the shots. But, as you already know, it also means you are responsible for your employees, your customers, and your business. Their well-being is in your hands. That is why it is essential for anyone considering adding a franchise to carefully examine the opportunity and understand what it takes to successfully add a new revenue stream to your existing small business. Franchise ownership is a long-term commitment, much like a marriage. It's good to treat it that way, from courtship — researching franchises — to saying “I Do” — signing the Franchise Agreement. Remember, the goal is happiness and financial independence.

■ The Attraction – Why Franchise Ownership Is Enticing

Franchising has a long and varied history, beginning, some say, in the Middle Ages when local governments gave church officials and others licenses to assess taxes. In the 1900s, franchising blossomed when General Motors franchised car dealerships. It spread even further in the 1950s and '60s when convenience food services such as McDonald's began to dominate. Franchise businesses have a solid history of success, so the appeal is obvious. Plus, the franchise sector is healthy.

According to The Franchise Business Economic Outlook for 2017 produced by the International Franchise Association, franchise businesses significantly outpaced the U.S. economy in 2016. The IFA forecast predicts:

- **Franchise businesses grew 3.5 percent in 2016 and is expected to grow another 3.3 percent in 2017, adding nearly 250,000 new jobs.**



- **The number of franchise establishments grew 1.7 percent in 2016 and is expected to grow 1.6 percent in 2017, for an increase of more than 11,500.**
- **Economic output from franchise businesses grew 5.8 percent in 2016 and is expected to continue to grow another 5.3 percent in 2017, surpassing \$700.**

Franchise businesses offer owners brand recognition, a successful system of doing business, and support (capital and operational) from the franchisor.

But even with all those advantages, it's still necessary for anyone considering franchise ownership to think seriously about their first two years of business. They will be learning years with a mixture of jubilation and worry, satisfaction and wonder.

To make those years good business years, the prospective franchisee must do his or her homework before saying "I Do" to ownership. The prospective franchisee must find a business where his or her skills and experience can pay off and that suits him or her. The prospective franchisee must find a franchisor with whom he or she can work and form a trusting bond. The franchisee has to understand the challenges of business ownership and enlist support from his or her network of family and friends. These people will help if and when times are challenging. The franchisee must have a sense of earnings

Franchising Today

Each year more than \$1 trillion in goods and services are sold through franchises in the United States.

35% of all retail goods and services are sold through franchises.

There are over 900,000 individual franchise outlets in this country.

Each working day a new franchise opens every 5 minutes.

Over 300 different types of industries and businesses are franchising.

– McGraw Consulting

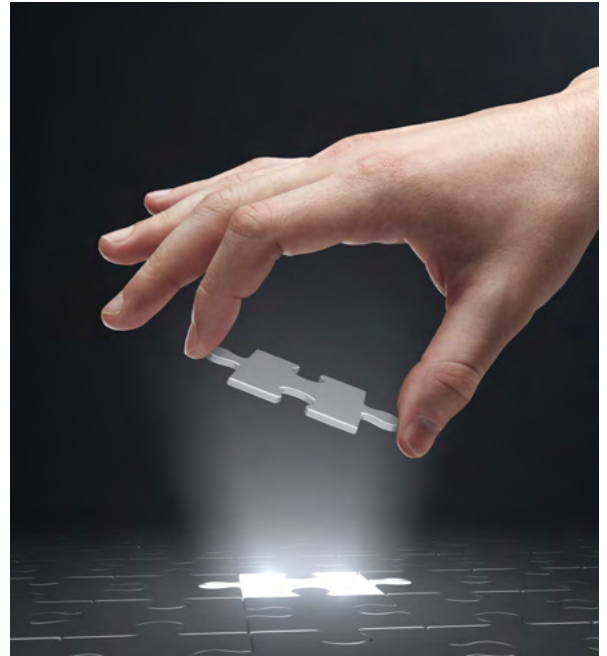
potential once the business gets off the ground, and he or she must understand that “getting off the ground” is just the start.

The prospective franchisee who understands these challenges is the one who is not only ready to say “I Do” to adding a franchise, but is also ready to enjoy the fruits of success that come with providing additional services to existing customers and bringing in an entirely new customer base.

■ **The Dating Game** – **Finding the Franchise Opportunity** **that Best Fits You**

Look at any website or book that deals with franchise ownership, and they’ll all tell you the same thing: the Dating Game is important. There are so many prospects out there — many of them attractive and smart — so it’s important first to understand yourself and what you want from the relationship. Then you need to find the franchises that are a good match for your skills and your personality. Finally, you need to narrow down your choices to the few that you could see yourself with for the next several years.

The most important part is the first part, understanding yourself. Franchising, with its variety of options and different models, may seem appealing, but that doesn’t mean it’s for everyone. There are financial risks and long-term commitments to take into account. Before going too far into the process, you need to have a heart-to-heart with yourself to make sure you would be happy as a franchisee. You need to ask yourself — and honestly answer — some tough questions, such as:



- **Am I comfortable with all of the daily decisions being mine?**
- **Am I comfortable with cleaning toilets and firing an employee all in one day?**
- **Do I have confidence in myself to handle all aspects of this business?**
- **Am I an optimist even when things go south?**
- **If I have a family or close friends, are they supportive?**

If you answered “yes” to the above questions, then chances are you may be a good match for adding a franchise along with your existing small business.

Two questions that may rule you out for owning a franchise would be:

- **Do you consider yourself extremely independent or fiercely stubborn?**
- **Do you mind answering to a superior?**

If you answered “yes” to either of these two questions, you may prefer to start your own business from scratch rather than attempting to follow someone else’s proven system.

After you’ve answered the questions about yourself, you need to consider what you want from the franchise relationship. “Be brutally honest with yourself and introspective about what you’re trying to accomplish by buying this business,” said David Omholt, president of Entrepreneur Authority in a 2010 article in Inc. magazine. The article goes on to suggest questions you might ask yourself or those a franchise broker would ask to get your search started. They include:

- **What do you want out of the franchise business? Is it a hobby? A primary source of income? Do you eventually want to own more than one franchise?**
- **How much money do you have to invest?**
- **What’s your exit strategy?**
- **How much risk are you willing to assume?**
- **How involved can you be?**
- **What are you good at?**
- **How important is status?**

Once you have a better sense of who you are and what you want from a business, you can begin searching online to see which franchise options may best suit your skills and personality. A good franchisor will have great training in place to teach you the business and point you in the direction of success.

■ **Getting Personal – Building Your Knowledge of the Franchisor**

Now it’s necessary to get an up-close and personal look at your “intended.” Franchisors offer different forums that provide them an opportunity to meet you and you an opportunity meet them. You get a feel for each other and see if the relationship is worth taking to the next step. It’s critical you ask questions of the franchisor and yourself. Most importantly: are you comfortable with the franchisor? This will be a long-term relationship, so it’s necessary you have a certain level of comfort with the franchisor.

You’ll also want to know about support, training, and financing options the franchisor has in place for franchisees. Training should be intensive and ongoing. You may be new to certain aspects of this business, so you’ll want to have access to all kinds of training, including computer or software training, payroll, marketing and advertising, and sales. You will also have questions as you’re getting started, so you’ll want to be able to reach out to the corporate headquarters for support whenever you need it. Finally, financing is important. There may be times when you see an opportunity to expand. Is the franchisor set up to help you in those situations?

Some of these things will be laid out in the Franchise Disclosure Document, which the franchisor is required by law to share with you at least 14 days before you are asked to sign a contract or pay money to the franchisor. You also have the option to request it earlier after you have received

the franchisor's application and agreed to consider it. The document will give you a detailed picture of the franchise business you're investigating. More importantly, it may help you see the franchise opportunity more clearly, especially when you get to Item 19 of the document. Some franchisors include earnings information in Item 19; some do not.

These figures will not tell you how much you will earn, but they will give you a sense of how other franchisees are doing and how the franchise overall is performing. They will help you decide whether this opportunity to add a franchise along with your existing small business is the one for you.

Some Franchise Disclosure Documents include the names of franchisees — those who still own a franchise and those who have parted ways. If you find this information in the document, consider it a gold mine. The franchisees are your best source for information about the business and the opportunity to expand your business portfolio. Contact the franchisees who are still in the business and the ones who have left. Don't be shy in your questioning; you want as much detail as they're willing to share.

Ask questions like:

- **“What was the first year like?”**
- **“What's the one question you didn't ask at first that you wish you had?”**
- **“When did you break even?”**
- **“How much did it really cost to run the business?”**
- **“Why did you leave?”**
- **“Why have you stayed?”**
- **“How much can I make as a franchisee?”**

When talking with franchisees, ask them about the following business expenses:

- **State and local business licenses or permits**
- **Inventory**
- **Technology**
- **Payroll**
- **Marketing/advertising**
- **Monthly lease costs**
- **Loan interest costs**
- **Taxes**

– From SBA.gov blog written by Joel Libava aka The **Franchise King**



**FRANCHISE
OPPORTUNITY**

MESSAGES

IDEAS

MARK

Franchise agreements often are in place for several years. You must do your homework before you make this long-term commitment. The last things you want are surprises. That's not to say there won't be surprises along the way, but they shouldn't stem from the fact that you didn't know what you were getting into.

■ Saying "I Do" – Be Sure You Have What It Takes, And You're Ready To Sign

Once you've made it to this point, your dream of adding a franchise along with your existing small business is getting closer to reality. The closer you get to reality, the more necessary it becomes to give yourself a reality check. Here it goes:

Do you have the right support?

It's great that you've found the right franchise partner, now check your support network. Your first few years in business will be exhilarating, but they also may present some challenges. That's where your support network comes in. They will remind you of your dream and help you beat back any anxiety.

Do you have enough capital?

The last thing you want to do is go into your business undercapitalized. Think about what the franchisees told you about income and expenses. Think about the business and how you will be able to maintain cash flow. Consider your personal needs and how you will continue to pay for them with your new franchise-related expenses. It's a good idea to go into a business with enough money in your personal accounts to sustain your current quality of living for the first two years. Of course, you'll keep running your small business while you get your new franchise off the ground. That will mean long hours when it's tax season, but you'll also have peace of mind and a solid foundation.

Do you understand the personal risk and the responsibility?

Every business is regulated, and as the business owner, you must be willing to take the risk. Fortunately, as a franchisee, you will have the support of the franchisor, and that means a great deal.

There are many other questions to ask yourself before you sign the paperwork to add a franchise along with your existing small business. The commitment is real and one that can add more revenue from existing customers and bring in an entirely new customer base. So, do your homework, answer the important questions, and get ready to say, "I Do."

If you're interested in learning if adding a tax franchise to your portfolio is right for you, contact us today at Libertytaxfranchise.com or call 1-844-895-5621.

