

# Franchise Purchase Criteria

## Franchise Buyer Agent Program

The FranchiseRight Buyer Agent Program provides prospective franchisees with industry education and pre-purchase orientation. A FranchiseRight Certified Advisor helps franchise buyers to assess their requirements (Franchisee Profile), gather information effectively (Research), and to pre-qualify franchisors (Identification). The franchisors are contacted by the Advisor (buyer avoids unwanted solicitation). Selected companies are interviewed by you and your Advisor. Further Analysis determines which franchisors best meet the buyer's criteria in each of eight specific performance areas (see below). Following successful negotiation and purchase, your Advisor can coordinate business plan preparation, arrange financing, and support unit opening.

**Franchisor Performance Criteria** (this is what you should find out about the franchisor)

- 1. Leadership.** How does the management team guide and sustain the Franchise System, promote and ensure ethical behavior within the organization, communicate with staff and franchisees, and encourage higher performance?
- 2. Stakeholder and Market Focus.** How will the franchisor gain market share and build positive relationships with staff, franchisees, and customers? Is the company providing relevant products, services, and programs? How does the franchisor help to ensure franchisee success and earn the loyalty (retention, referral, satisfaction) of franchisees and consumers? What do the current and former franchisees say?
- 3. Measurement, Analysis, Knowledge Management.** Is the franchisor measuring, analyzing, and disseminating relevant data and managing information in support of key organization processes on a timely basis? What about system improvement?
- 4. Workforce focus.** Has the Franchisor implemented an effective HR plan (career progression, management succession, retention, rewards, compensation, compliance, safety, recordkeeping), defined operational procedures, and created education and training programs to build staff knowledge, skills, and capabilities?
- 5. Experience.** Look at the financial history, business background and experience of the franchise company and its staff. Is it impressive? What is their litigation history, involvement in bankruptcy or criminal activity? The current Levels and trends in their franchisee performance and franchise system success must be evaluated!
- 6. Market.** How do current market trends affect the franchised business and what is the level of local and national competition. What is the demand for the product or service offered by the franchisee? How reliable is the sources of supply and has the franchisor achieved any economies-of-scale? How is the national and local brand recognition of the franchisor and what about their expansion plans?
- 7. Franchise Parameters.** Key franchise-related parameters must be examined, analyzed, and assessed (franchise relationship, intellectual property, territory, training and support, required purchases, management, strategic alliances, marketing, and community relations) to determine the quality, commitment, viability, and longevity of the organization. Look at agreement specifics including costs (initial franchise fee, continuing royalty payment, advertising fees), controls (site approval, appearance standards, restrictions on goods and services offered for sale, operational restrictions, territory), termination and renewal, and other important issues that affect your purchase, operation, and exit.
- 8. Earnings Claims.** Are Financial Performance Representations made, and, if so, do they make sense for operations in your market? Can you make money?

## Franchisee Profile

After you complete a brief survey, you will participate in an interactive interview process with your FranchiseRight Advisor. Our goal is to develop a Franchisee Profile to assist in the identification of franchised businesses to evaluate that closely fit your preferences. Our survey looks at the following areas:

### Background

- Education
- Skill Set
- Industry Experience
- Business Experience
- Management Experience

### Personal

- Goals
- Interests
- Family Support
- Life Plan

### Operations

- Owner/Manager
- Absentee Owner
- Multiple Outlet Operators

### Lifestyle

- Enjoyment Factor
- Work Environment
- Work Relationships
- Capacity / Available Time
- Community Service

### Financial

- Finances/Credit
- Income Goals
- Exit Strategy

### Capability

- Capacity (training)
- Capability (selling)
- Abilities

### Temperament

- Frame of Mind
- People Skills
- Performance Excellence
- Commitment Level
- Corporate Culture
- Taking Directions

Learn the legal and practical aspects of franchising your business

