

Key Questions to Ask Before You Buy a Franchise

A comprehensive look at what to ask yourself, the franchisor, and existing franchisees before you buy a franchise.

Franchising offers an exciting opportunity for eager entrepreneurs who are interested in running their own business but are hesitant about starting from scratch. If you want to [buy a franchise](#), you'll soon realize it often comes with less risk than a traditional startup, and it offers franchisees an accelerated path to profitability.

There are, of course, several other benefits to purchasing a franchise, such as the support and training provided and the proven processes and systems. Still, despite all of its perks, franchise ownership is not for everyone. This guide will first help you determine if franchising is a path worth pursuing and offers guidance on how to find and vet the best brand for you.

Stage One: Self Inquiry

Questions to ask yourself to determine if franchise ownership is right for you

Before you dive into researching franchise brands, it's important to look inward and ask yourself what you are looking for in a franchise and what you hope to get out of franchise ownership. As [Chris Mehalic](#), Franchisee of [Truly Nolen](#) said, "My advice to those considering a franchise would be to spend far less effort identifying the 'perfect' brand and focus on your own core values, goals, personal strengths and preparedness. From there, finding fit will come naturally with many quality franchise partners."

As you set out on your journey, start by asking yourself these seven questions.

6 Questions to Ask Yourself Before You Buy a Franchise

1. Do you enjoy following a system?
2. Do you have the support of your spouse or partner?
3. Are you willing and able to take on the role of a business owner?
4. Do you understand the financial and legal implications of purchasing a franchise?

5. Do I want to be a franchisee part-time or full-time?
6. Are you passionate about the industry in which you want to purchase a franchise?

Let's review each question

Do you enjoy following a system?

People buy franchises for many different reasons. But one of the primary draws is the proven and established system that franchising offers. Typically, a company does not start franchising until they have built a solid and successful business that they believe will do well when franchised. This means that they have fine-tuned their business processes and procedures over time based on their experience in the marketplace — and likely continued to do so once they started franchising as they received feedback from franchisees.

This established system is the beauty of franchising, as it offers reduced risk, streamlined business operations, and a quicker runway to profitability. But for the system to work, franchisees must fully comply with and follow the system laid out by the franchisor.

Established processes and systems are not for everyone, however. If you are excited about business ownership, in part because you want to create your own systems and strategies and be able to tweak these strategies as you grow, then franchising might not be the best option. Be honest with yourself about why you want to own your own business.

Do you have the support of your spouse/partner?

Most aspiring franchisees have spouses and kids that must be considered as part of buying a new business. Having the support of your spouse and family is critical when contemplating business ownership. Conversely, moving forward without their support is a recipe for failure.

You will need their support to get you through the startup phase of your business and beyond. Your spouse and family don't have to be active in the business, but they do need to be active in their support of you.

Discuss your definition of "support" with them and what that means. Also, before signing a franchise agreement, talk with your spouse and anyone else who will be affected by your decision and make sure they understand the commitment necessary to get a business off the ground. Make sure they understand the potential changes in your relationship with them during the short term but also be sure to include them in your long-term vision and what you hope to gain by doing this. If your spouse isn't on board with your vision, do not sign a franchise agreement. You must decide where you both want to go first; then, you can figure out the best way to get there – which may or may not include business ownership.

Are you willing and able to take on the role of a business owner?

Becoming your own boss is no small feat. While it can be thrilling, empowering, freeing, and life-changing, it can also be scary and daunting. As a franchise owner, you must put in long hours and hard work — at least for the first few years as you get your business off the ground. Patience and dedication are important for new business owners, including franchise owners. Sometimes, it can take years before your business begins to profit, so you must be willing to put in the effort even when the payoff is not immediate.

Do you understand the financial and legal implications of purchasing a franchise?

Buying into a franchise system is different than launching your own business, as it has its own set of rules and regulations. Franchises are required to comply with both state and federal law. To learn more about the specifics and legal issues as they apply to your state, you should retain a [franchise lawyer](#) who can explain every detail and ensure that you are well-informed before making a purchase decision. There are also financial considerations to consider when buying a franchise, the details of which can vary wildly by brand. Just as it is important to retain a franchise lawyer, it is also advised that you speak with a [financial advisor](#).

[Learn more about financing your franchise.](#)

Do you want to be a franchisee part-time or full-time?

While owning your business is typically a full-time job, there are some part-time franchise opportunities. For instance, certain cleaning or travel franchises could be purchased cheaply and run part-time. Still, this is typically the exception, not the rule. Before you start looking into the different options, it helps to understand what you are realistically looking for in a franchise, as many franchises will not be successful if run on a part-time basis.

Are you passionate about the industry in which you want to purchase a franchise?

Many people compare entering a franchise agreement to a marriage. You have to be sure the business will hold your interest over the term of the franchise agreement – many of which can be 10 or 15 years long. It is important to think about what it will take to achieve this – your role in the business, the focus of the business, and other factors.

“Choose a business and industry that you love and are passionate about! As a franchise owner, you’re still opening your own business and can expect to put in a lot of hours,” said Nickell Beach, franchisee of Expedia CruiseShipCenters. “If you are working in an industry you truly love and are passionate about, franchise ownership is much more rewarding.”

[What's Your Business Vision? Use This Free Template to Identify and Clarify Your Vision](#)

Stage Two: Brand Inquiry

Questions to ask the franchise brands—franchisor—you’re considering

Once you’ve clarified your goals and laid out your vision, it’s time to start comparing brands and talking to franchisors.

Asking a franchisor the right questions in the right way is critical to learning more about the brand and whether it will be a good fit for you. The trick is to ask open-ended questions that will really make franchisors think before they answer. Don’t ask, “Is your marketing program successful?” ask, “How do you ensure that your marketing program is successful?”

Remember that becoming a franchisee starts a long-term commitment and relationship. Franchisors expect you will have a long list of questions you need answered. (On the flip side, you should expect to answer many hard questions yourself.)

14 Questions to Ask the Franchise Brand Before You Buy a Franchise

1. What characteristics make your top-performing franchisees successful, and what is it specifically about my background that makes me a good fit for your system?
2. Even in the best business partnerships, disagreements and conflicts happen. If I am a franchisee and have a problem, what processes do you have in place to create a fair solution that works for both of us? Can you give me some recent examples of issues with franchisees and how they were resolved?
3. I know that for the first few years, I will depend on you and your staff to help me succeed as a franchisee, and your fees are very reasonable, given the support I will need. But in the future, when I am more self-supporting, where will I see the value of the fees that I am paying you?
4. What trends do you see in this industry that could have a negative impact on the business over the next decade, and what are you doing strategically to overcome these challenges?
5. Do you have a franchisee satisfaction report that is publicly available?
6. What areas of support will you provide, and how much support will be offered?
7. How long have you been franchising?
8. How many franchise owners have failed? Why did they fail?
9. What has your past business growth looked like, and what are the long-term plans for future growth?
10. Can you sell the business? Are there any restrictions regarding doing so?
11. Is there a set territory? How do you prevent franchisees from cannibalizing business from each other?
12. How long is the term of the franchise agreement? Can you renew it?
13. What is the experience of the leadership team?
14. How long does it take to be up and running once the agreement is signed?

Let's explore each question

What characteristics make your top-performing franchisees successful, and what is it specifically about my background that makes me a good fit for your system?

This is an important question because it will let you know immediately whether or not the franchisor has done their homework on you and thinks you are a good fit for their system or if they are just looking to sell you a franchise. The most successful systems are selective of who they accept as franchisees. Listen carefully to the franchisor's response. Make sure they are addressing items specific to you and your background and not just generalizing common traits.

Even in the best business partnerships, disagreements and conflicts happen. If I am a franchisee and have a problem, what processes do you have in place to create a fair solution that works for both of us? Can you give me some recent examples of issues with franchisees and how they were resolved?

It's common for a franchisor to want to share only its franchisee success stories, but every brand has the occasional conflict. It's important to know how they deal with franchisee-franchisor disagreements and if the resolution meets your expectations. If they tell you everything is always perfect, don't believe it; it's not.

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One of the obvious values a franchisee receives from an established franchise system is the brand and system itself. But brand alone will not justify the ongoing royalties you will have to pay every year. Ask for specific examples of programs and services that the franchisor offers to provide added value for both new and old franchisees.

What trends do you see in this industry that could have a negative impact on the business over the next decade, and what are you doing strategically to overcome these challenges?

Every business and industry has significant challenges to overcome to remain competitive. Look for honest and forthright feedback to real challenges. For example, ask franchisors how they supported their franchisees during the recession and what strategic planning they've done since then to protect both their business and their franchisees in the future.

Do you have a franchisee satisfaction report that is publicly available?

For obvious reasons, we're big proponents of franchisee satisfaction reports. Still, we bet any franchisee who has used them to research an opportunity will tell you survey results were an important piece of their research. Survey results will highlight strengths and weaknesses in a

system so you can focus your due diligence on the right areas. They will help you get better information from your own validation efforts.

[Access free franchisee satisfaction reports for participating brands here.](#)

What areas of support will you provide, and how much support will be offered?

The wonderful thing about franchising is that it affords you the opportunity to own a business in a field that you are passionate about, even if you don't have previous experience in that industry. Still, whether you have experience in the field or not, it is important to understand the level of training the franchisor will provide — as this can make a significant difference in your likelihood of success. Plus, as a franchisee, you're paying for training and support, so you should ensure you will receive it!

[Discover the Top-Rated Low-Cost Franchises](#)

How long have you been franchising?

Every year, roughly 350 businesses decide to franchise for the first time. Not all of these franchises will be successful. In fact, many of them won't be. On the other hand, franchising can be a recipe for success. Consider McDonald's, Wendy's, and Dunkin Donuts. Beyond the big brands, there are thousands of other successful brands. In fact, as of 2017, there were 745,290 franchise establishments in the US, according to Statista.

Of course, as a prospective franchisee, identifying the new franchises that will be successful is a lot harder than buying into an established brand with years or decades of franchising experience under its belt. Yet, there are many benefits to buying into a new brand. While you may take on more risk, it's typically easier and less expensive to join a newer franchise. If a franchise brand has a handful of successful locations, it shows its model can be duplicated in different markets. Newer franchise systems want to grow and establish their staying power. To do so, they, like established franchises, must provide outstanding leadership, support, innovation, and creativity. Remember, at some point, every major franchise, including McDonald's, was new and small.

Like any investment, there's a balance of risk and reward when it comes to investing in a franchise, be it a new franchise or an established brand. If you are considering a newer franchise, it is especially important to determine how stable the emerging franchise you are considering investing in is and what its future may hold.

How many franchise owners have failed? Why did they fail?

Not everyone will be successful as a business owner or franchisee. If you look at an established system, they have likely had experience with failed owners. Ask them for honest feedback on why these owners failed and how they vet potential owners to ensure the highest success rates.

Similarly, it's a good idea to see if any complaints have been filed against the franchisor with franchise regulators, the Better Business Bureaus, or local consumer protection agencies in your or the franchisor's home state. You should also compare online customer reviews to reviews of similar businesses in your area. If there are complaints about the company or low customer satisfaction reviews, you may want to look elsewhere.

What has your past business growth looked like, and what are the long-term plans for future growth?

A growing franchise system increases the franchisor's name and brand recognition and may enable you to attract customers. But growth alone doesn't ensure that franchisees will be successful. In fact, a franchisor that grows too quickly may not be able to support its franchisees with the services it promises them. Investigate the franchisor's financial assets and resources. Can they support you and all the other new outlets the franchisor plans to open? Be sure to ask about their long-term plan to grow in their market.

Are there any restrictions around selling the business if I decide to do so?

Your long-term business goals should be a major factor when selecting a franchise. Whether you want to pass your franchise business on to a family member or ultimately sell the business will influence which franchise model is best for you.

Is there a set territory? How do you prevent franchisees from cannibalizing business from each other?

A franchisor may limit your business to a specific location or sales territory. If you have an "exclusive" or "protected" territory, it may prevent the franchisor and other franchisees from opening competing outlets or serving customers in your territory, but it may not protect you from all competition by the franchisor. For example, the franchisor may have the right to offer the same goods or services in your sales area through its own website, catalogs, other retailers, or competing outlets of a different company-owned franchise.

How long is the term of the franchise agreement? Can you renew it?

Franchise agreements may run for as long as 20 years. Renewals are not automatic. At the end of the contract term, the franchisor may decline to renew or offer a renewal that doesn't have the same terms and conditions as your original contract. For example, the franchisor may raise the royalty payments, impose new design standards and sales restrictions, or reduce your territory. These changes may result in higher costs, reduced profits, or more competition from company-owned outlets or other franchisees.

What is the experience of the leadership team?

Many franchisors that operate well-established companies have years of experience selling goods or services and managing a franchise system. Some franchisors started by operating their own business. There's no guarantee, however, that a successful entrepreneur can successfully manage a franchise system. Find out how long the franchisor has managed a franchise system. Does the franchisor have enough expertise to make you feel comfortable? If the franchisor has little experience managing a chain of franchises, take promises about guidance, training, and other support with the proverbial grain of salt.

How long does it take to be up and running once the agreement is signed?

One of the benefits of buying a franchise is the runway to profitability. Since all the systems and processes are in place, you don't have to spend as much time getting your business up and running. But you will still have to put time into building recognition in your local community or market and growing your business to the point of profitability. Oftentimes, the first few years can be tight, so it is important to plan accordingly and be realistic about the financial projections.

Stage Three: Validation

Questions to ask current franchise owners for unbiased feedback

The final step in the research phase of your franchise journey is speaking with other franchisees. As [Cindy and Phil Bacon](#), franchisees of [FASTSIGNS](#), said, "Do your due diligence and contact as many franchisees as possible." Current franchisees can be the best sources for unbiased and unfiltered information and can help you validate or invalidate the franchises you are considering.

Another way to validate franchises is by reviewing satisfaction reports that FBR compiles for top brands. These reports offer deep insight into franchisee survey responses across several categories. Looking at aggregate response data and speaking to individual owners is an effective way to vet brands before buying.

7 Questions to Ask Franchisees Before You Buy a Franchise

1. Did the opening of your business go according to plan?
2. How effective and useful was your initial training, and is the ongoing training?
3. How much support does the franchisor give you on a day-to-day basis?
4. What was your first year's gross revenue? What is it now? When did you make a profit?
5. Has turnover and profitability aligned with what the franchisor told you it would be?
6. How helpful are the other franchisees?
7. What do you wish you had known going into business that you did not? Is there anything you would have done differently?

Let's review the questions

Did the opening of your business go according to plan?

It is nearly impossible to plan for everything, but since franchisors have helped numerous franchisees launch their businesses, there shouldn't be too many unexpected variables. Of course, every franchise system and franchisor is different and provides varying levels of support — so ask other franchisees for their first-hand experience, and you should get a good sense for how your launch will go.

How effective and useful was your initial training, and is the ongoing training?

As we have already discussed, training and support are important for franchisees, especially if you are entering an entirely new industry without prior experience. So, just as you should ask the franchisor about the level of training they will provide, be sure to vet their response with the actual experiences of franchisees in the system.

[See This Year's Top-Rated Franchises](#)

How much support does the franchisor give you on a day-to-day basis?

Support is one of the many benefits of buying into a franchise system. [Jane McElhaney](#) of [Our Town America](#) remarked when asked what she likes most about her franchise organization, “Our corporate office provides excellent support and training. They are also constantly innovating with cutting-edge technology and new marketing tools. In the Our Town America franchise system, the franchisees pull together to contribute to each other's success. It's like one big family helping and looking out for each other.” Be sure to ask for specific examples of how the franchisor provides support and how easy it will be for you to request support day in and day out.

What was your first-year gross revenue? What is it now? When did you make a profit?

While a franchisor can give you estimates and averages, a franchisee can provide real-time data on profitability and revenue. This is, of course, one of the most important areas to explore with franchisees of any brand you are considering, as it will help you better understand the true numbers behind the investment you are considering.

Has turnover and profitability aligned with what the franchisor told you it would be?

Not only does this question help you to understand the potential profitability of the franchise you are considering, but it also helps you gauge the accuracy—and, in some cases, the honesty—of the franchisor.

How helpful are the other franchisees?

The franchisee community can be a tremendous asset to new owners or even those who have owned their businesses for years. As [Lindsay Verdun](#) of [TSS Photography](#) remarked, “I think what I love most about our franchise organization is that we truly have a family atmosphere. We have so many colleagues that we now call friends. We love being able to share our knowledge on professional levels and offer compassion and an ear on personal matters as well. It’s the relationships we have developed in this business that keep us going during the tough times.”

What do you wish you had known going into business that you did not? Is there anything you would have done differently?

The answers to this question can be very interesting and extremely helpful as you set out on your franchising journey. You’ll hear responses that are general to franchising, and you’ll also get answers that are very specific to the business or industry you are interested in. For instance, when asked what he would have done differently looking back, Dennis Monroe, who owned a ColorAll franchise from 2005 to 2014, said, “If possible, I would have negotiated a tapered franchise fee and a reduced minimum franchise fee ... 7% or \$1000 minimum is a large load during down markets. Also, when the company was sold, the new owner did not provide the same level of support as the previous owner; therefore, an opt-out option upon sale of the company would have been better for our situation.”

[The Best Validation Tool for Interested Franchisees - Customer Satisfaction Reports. Find Your Franchise — See How They Scored and Read Their Reviews.](#)

In Conclusion

Buying a franchise or launching any new business can be extremely exciting and overwhelming. However, by asking the right questions and performing thorough due diligence, you can decide based on facts and data so that you can set forth with confidence!

We hope these insights are helpful in your journey as you explore your options to buy a franchise that fits your personal and financial goals.

[Explore the Top 200 Franchises now.](#)