

Steps in the Due Diligence Process



+ Franchise
Discovery
Process



When you are investigating a franchise or any business opportunities, it's important to be committed to doing a lot of legwork. Remember when you are speaking with a franchise, you are either speaking to the franchise development team or directly with the owner in the case of emerging brands. They have one job and one job only – to sell you a franchise. It is true that with most brands they are looking for a good “fit”, someone with the savvy and acumen to succeed in executing on their business system. And you won't be awarded the territory if, at a minimum, they do not feel you have that. But assuming you were introduced to a concept by a franchise consultant – it's likely that the brand is a good fit.

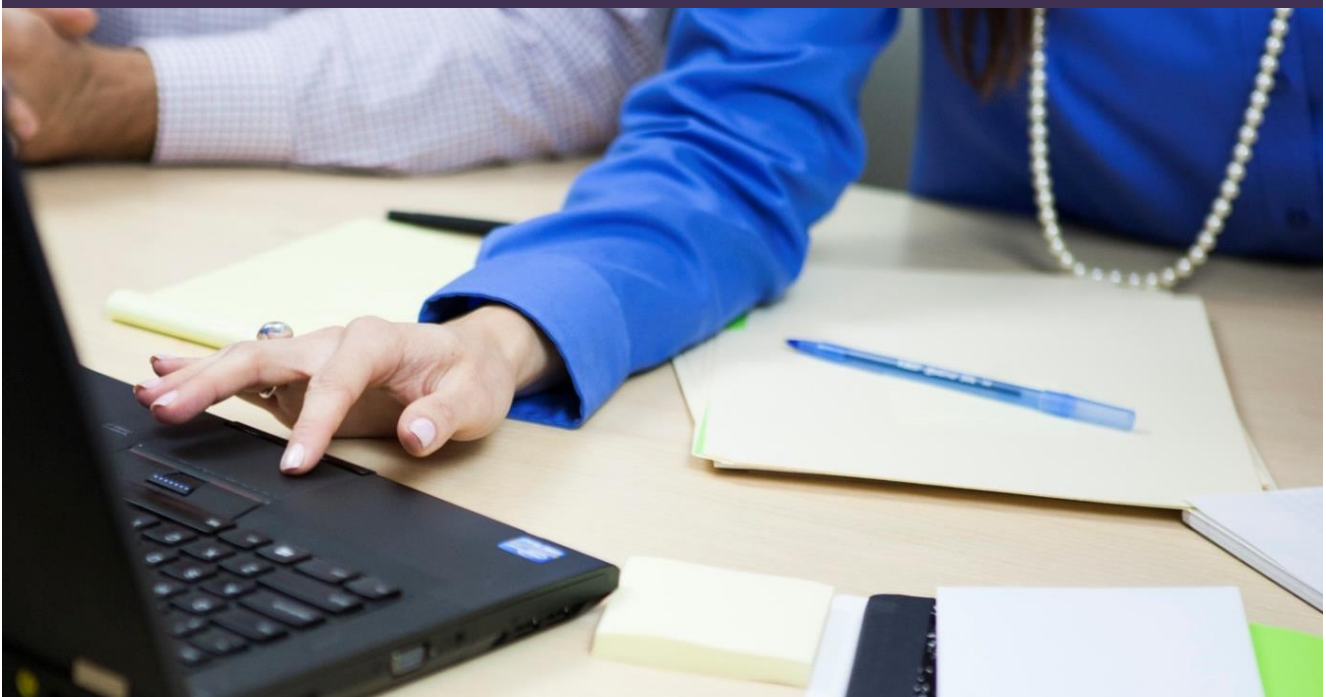
So bottom line you never want to rely solely on what the franchise rep is telling you. You have to dig way deeper. It's also worth noting that no important information you will need (except maybe cost) is found on the internet. It is designed so you **HAVE** to work with a broker or reach out to the brand directly and have an actual conversation.

Here I will note that to work with a broker is generally at no cost to you and will provide you with much higher access and attention than you can get by contacting the brand directly. This is because brokers will qualify their candidates, obtaining financial information, background and skillsets - and then **only** introduce them to brands they think are a good fit. If the broker is referring a candidate – the candidate is attractive to the franchisor because they know that candidate is pre-qualified and interested.

“If you are considering purchasing a franchise, I would highly recommend Jane Stein and her company, Your Franchise is Waiting. I was interested in starting a business with my two daughters who recently graduated from college. We weren’t sure which type of business would best suit us. Jane and her team helped us match up our interests and skill sets with interesting options.

With her help, we explored several different kinds of franchises, and settled on a new women’s clothing boutique. We’ve just purchased the rights to three stores and are currently looking for the perfect real estate spot for our first one. While buying a franchise is a large, complicated process, Jane guided me through all of the steps. She made it easy and exciting. So, if you are considering buying a franchise, Your Franchise is Waiting should be your first call.”

Jane Abraham, McLean, Virginia



+ The Discovery Process

What your discovery process is going to look like over a 4-5 week period.

1. First call with franchisor. Usually this call is set up by your franchise broker and is a “get to know you “call. There is typically some information that the franchisor wants to get across about the concept such as the history of the brand, any differentiation between them and the competition, and they will tell you their steps in the discovery process. Every brand is different and the steps will be different as well as the timeline. Some are very structured with weekly calls and webinars over a period of weeks – others are one or two calls and start validating. Your broker will hopefully provide you with a list of questions you may want to consider asking. Or ask your own that are important to you.



2. Fill out financial disclosure forms. This is alternatively called a request for consideration, or an application or any number of things but they won't go further with you or reveal more information without you disclosing your net worth, liquid capital – and likely what you were attracted to about their franchise. They want to know more about you - in writing.





3. Generally around this time you will be provided with the Franchise Disclosure Document. The FDD is a regulated document that uniformly discloses all kinds of information you will need and in short reveals all the goodies in terms of information. Some brands do not release that until further down the road and some will after a call or two. You will need to jump to the back and sign the acknowledgment of receipt and email that back showing that you have received the FDD. It isn't a commitment of anything – just a form saying you got it.

4. Once you have perused the FDD – you will likely have a second call with the franchisor (or maybe it's your 3rd or even 4th!) to “review” it together. More on that later. At this point you are simply making sure you understand the basic terms.

5. Around this time you will start “validating”. Validating is franchise speak for calling existing franchisee’s in the system. How will you know how to contact them? All the names and contact information – either phone numbers, email addresses or both – are required to be in the FDD. This is a “must do” step in your due diligence. It’s time consuming, not all franchisees are willing to talk and many are so busy they don’t return or calls or emails. Be prepared to devote a couple of weeks to this process. You will want to have actual conversations with anywhere from 6 to 10 owners. There are no limits to what you can ask them including how much money they make and how long it took to cash flow.

They are the ONLY people allowed to disclose their actual financial experience with you. Important note: the franchisor will NOT disclose actual earnings numbers because they can be sued later if that indeed is what they “promised”. So any financial projections provided by the franchisor MUST be found in what is called Item 19 of the FDD. They cannot say anything more than what is disclosed. That’s why you have to call franchisees.

You will likely want to talk to owners of less than a year, some in the one to three year phase and some longer. Your broker will (again, hopefully) brainstorm with you a list of questions and the order in which you should ask them.

This is more art than science but there are tried and true ways to get the information you should get to make an informed decision.

“I had the privilege of working with Your Franchise is Waiting and highly recommend their services to anyone seriously exploring purchasing a franchise. Jane went well beyond just reviewing the personality/skills assessment survey to get to know my wife and I personally. I believe she does this with every candidate to ensure she completely understands the clients’ goals. Jane is committed to her client’s success.

Anyone who is contemplating franchising should utilize Your Franchise is Waiting’s services. If I purchase another franchise in the future I will definitely have them help me again.”

Jeff Reinsma, Littleton, CO



Jane and her team have been a pleasure to work with in searching for a franchise. They have presented about a dozen businesses to me and all have been solid opportunities customized to my skill set and local business environment. Your Franchise is Waiting was able to quickly connect with the franchises that are of interest to me and download a ton of data to facilitate the discovery process. They have taken an active interest in my personal situation and have worked extremely hard to find the perfect opportunity that fits my needs. Jane will diligently follow up with you and the franchisors to keep the discovery process on track. Your Franchise is Waiting has a large network of contacts to assist you with financing and many other details of the transaction. I would highly recommend having Your Franchise is Waiting in your corner if you are looking for a franchise opportunity."

Bryan Capps, Brevard County, FL

6. Once you have made a few of those calls you are either pretty sure you are in or you are out. So if you still feel you are in you're going to have to spend a little money now to have a franchise attorney review the FDD and the agreement (found in the back of the FDD). This is usually anywhere from \$1500-\$2000. This is the first time you've actually laid out any money. Two things are important here. One is that you only use a franchise attorney. Your broker can provide you with 3 names. Franchise law is very specific. They have the expertise to know what's normal, what's not and what might be a red flag. The second thing is to have this completed before Discovery Day. See #7. There may be some negotiations back and forth at this time.

7. Around this time, if you are still interested you will be invited to Discovery Day. Discovery Day, sometimes called Meet the Team Day, is you flying to the corporate offices (usually travel is on your dime, hotel and meals on theirs) to spend a full day meeting for the first time the actual people you will be working with on a daily basis. The operations people, the owner or CEO, the marketing team, the real estate team, etc. Naturally in a smaller brand they won't have this many corporate folks on the bench, larger brands have more departments than I've mentioned. But the point here is to sit eye to eye at the table and have a meal together to see if you feel and they feel that it's a match. This is like a marriage. You are in business with these people for 10 years – the typical length of the contract. Assuming you both want to move forward (although you still may not be 100% decided) you will either be awarded the territory at the end of the day – or a few days later. This means it's time to make a decision and sign the agreement. They won't hold the territory while you "think about it" for a few weeks. They will want a decision typically within a few days of attending Discovery Day.

8. Sign agreement and send in with a check for the franchise fee.





Is now your time?

Now close your eyes and picture your dream business. What kind of hours would you work? What type of clientele would you want? How many employees do you want? What could you do that would make you feel amazing at the end of the day?

By asking yourself these questions, you can start taking the steps now to running your dream business. Our team is excited to assist you with the resources you need to get started on the path to franchise ownership.

Jane Stein is the founder of Your Franchise is Waiting and author of “The Girlfriends Guide to Franchising” which is a series of educational workshops and resources to help empower women interested in franchising. Offered in conjunction with franchise consulting services and funding information and education.



For more information about how to buy your own franchise visit:

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