

Report Number 95433

FAQs about Franchising

Question: "What is Franchising?"

Answer: A method of distributing products or services through a proven concept. An initial investment is required of the franchisee paid to the franchisor, who grants the franchisee the right to utilize his trademarks and trade name.

Question: "Is franchising right for me?"

Answer: If you desire to own your own business and be your own boss, then there may be a place for you in franchising. The concept of franchising affords individuals to be in business for themselves, not by themselves. Franchisors have established standards and rules, sometimes making decisions that you might not agree with. Before you invest, investigate...ensure that you understand the franchise model and that it is one with which you agree. A priority for success in a franchise is to follow the proven concept and programs. You don't have to re-invent the wheel!

Question: "What can a franchise do for me that I cannot do for myself?"

Answer: A franchise is already a functioning business system. As a franchisee you can step into an already established concept, with much less risk for failure. Most importantly, it provides you with brand recognition. And, often times the Franchisor provides financing and national accounts.

Question: "What should I consider before buying a franchise?"

Answer: There are a lot of factors that you should consider while researching to purchase for a franchise. Consider: the type of experience required in the business, a complete description of the business, the track record of the franchisor, how other franchisees in the same system are doing, what is the total cost to get into the franchise, the terms and conditions of the franchise contract, the financial condition of the company and its system.

Question: "What are areas for considering negotiating while purchasing a franchise?"

Answer: Key areas for negotiation are: What will the franchiser do that you can't? What territorial or other boundaries are defined for your franchises? Are there rebate programs (if applicable) and/or refunds that you can qualify for? How long have these programs been in place and how successful have they been? What is the advertising plan and how have the advertising dollars been spent and how much is allocated for your market? Terms and conditions, and, does the franchisor negotiate on your behalf with leasing agents, center management, financial institutions, suppliers and others.

Question: "What kinds of business lend themselves to franchising?"

Answer: Virtually every business form you can imagine lends itself to franchising.

Question: "How can I find a lawyer who specializes in franchising?"

Answer: You can start by checking with your state bar association. Many state bar associations allow member lawyers to identify the areas of practice in which they specialize, and franchise or distribution law is a recognized specialty in an increasing number of states.

Question: "What is a Uniform Franchise Offering Circular (UFOC)?"

Answer: This is the document supplied by the franchiser to prospective franchisees that describes in detail the franchise offering. It should be the focal point of the initial review of the franchise. In the law, it supercedes and overrules anything that is printed or said by other franchise literature and the sales persons representing the franchiser. In other words, if the sales person tells you one thing and the UFOC tells you something different, the UFOC rules.

It is a good idea to get legal assistance in understanding and interpreting UFOC's if you don't feel comfortable with them.

Question: "Who should I contact to learn about a particular franchise?"