



REIDEL
LAW FIRM

F R A N C H I S E L A W
I N T E R N A T I O N A L T R A D E L A W
B U S I N E S S L A W

Top 8 Questions to Ask a Franchisor

This short franchisee cheatsheet is designed as a helpful guide for those interested in becoming a franchisee. Cut through to the key information to ask the franchisor and determine whether a system matches your skills and interest. This is a general summary to help point potential franchisees in the right direction, it does not represent any specific legal advice and should not be relied upon as such.

- What is the company history? - Who are you? Why did you franchise? What is the company story? How much litigation has the franchise experienced? Every franchise system has a story, the more unique and endearing it is can tell you much about the branding potential of a system.
- What are the Fees? - Fees are very important and can include initial fees, various ongoing fees, and sometimes even minimum royalty fees. Also consider the total capital investment involved like real estate.
- What support does the Franchisor offer? - Most franchisors offer initial training, an operations manual, and very limited ongoing support. Get the details on how the franchisor supports its franchisees.
- What are the primary issues for new franchisees? - What are the risks involved? There can be a wide spread of issues that a franchise system has confronted, knowing beforehand the struggles associated with the system will help you adjust and plan accordingly.
- Do I get a protected territory? - If not, how does the system protect my investment? Does the Franchisor use alternative distribution channels? Are these competitive to franchisees? You need to know what protections you have for your investment in the system.
- What franchise types are available? - Depending on your business plan and capital investment, a different option than the typical single-unit franchise may fit you best. Ask and find out how the franchisor can find the right fit.
- How much do franchisees make? - Most franchisors make some representations about the actual earnings of their franchisees. Sometimes these are helpful, sometimes they are not. But any information can help you gauge your prospective investment and forecast margins, essential for any business plan.
- What are the expectations of the franchisee? - Will a franchisee be required to work in the franchise daily? Are there advertising requirements? How is a franchisee expected to report sales and other information? It is important to know these before you take the leap into a franchise.