

Questions To Answer Before You Buy A Franchise

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Franchise businesses such as Wendy's, McDonald's and Jack-In-The-Box are booming. The people setting up franchise ideas and businesses know a good thing, and are really promoting this idea. Franchises for just about every conceivable kind of business are being sold in ever increasing numbers.

Some franchises are very good. They treat both the franchisor and the franchisee very well. Others are very one-sided. Still others are almost total rip-offs that trap one into paying ten to fifty times the actual value of the business idea, equipment, or whatever it is they are trying to get you to buy.

Before putting any money into a franchise, you should investigate everything completely. We've prepared a list of questions you should be asking, and should get satisfactory answers to before investing.

1. Has your attorney studied the franchise contract, discussed it completely with you, and do you both approve it without reservations?
2. Does the franchise require you to take any steps which are either illegal or even border on illegal, or are otherwise questionable or unwise in your state, county or city?
3. Does the franchise give you an exclusive territory for the length of the franchise period, or can the franchisor sell a second franchise in your territory?
4. Is the franchisor connected in any way with any other franchise company handling similar products or services?
5. If you answered yes to the above questions, what is your protection against the second franchising company?
6. Under what circumstances can you end the franchise contract, and at what cost to you?
7. If you sell your franchise, will you be compensated for your goodwill or will it be lost to you?
8. How many years has the firm been offering you the franchise been in operation?
9. Does the company offering you this franchise have a reputation for honesty and fair dealing among its franchisees?
10. Has the franchisor shown any certified figures indicating exact net profits of one or more of its members, and have you

personally checked the figures with these people?

11. Will the franchisor assist you with: a) A management training program; b) An employee training program; c) A public relations and advertising program; d) Capital; e) Credit; f) Merchandising ideas?

12. If needed, will the franchisor assist you in finding a suitable location?

13. Is the franchising firm adequately financed so that it can carry out its stated plans?

14. Does the franchisor have experienced management, trained in depth?

15. Exactly what can the franchisor do for you that you cannot do for yourself?

16. Has the franchisor investigated you carefully enough to assure itself that you can successfully operate a profit to both of you?

17. Does your state have a law regulating the sale franchises, and has the franchisor complied with that law to your satisfaction?

18. How much equity capital will you need to purchase the franchise and operate it until your income equals your expenses?

If you can get the answers to each of these questions, and those answers satisfy you, then you're probably thinking about buying a pretty good franchise deal. However, if you're in doubt about any of these points, be sure to check it out and know the answers for certain before you invest or sign anything.

Buying a franchise can give you a measure of security, and in some cases, sure-fire profits. Business surveys show that fewer than 20 percent of all franchised businesses fail. This is in comparison to a 60 to 80 percent failure rate for ALL new businesses started in this country each year.

Information regarding specific franchising ideas can be found in the franchising directories, which are generally available at the local library. Often there will be a notice posted in franchise outlets themselves.

If you can afford the entry into this business, statistics are on your side. You are now armed with some CAUTION and STOP and GO signs!