



Launch Your Business. Live Your Dream.

QUESTIONS TO ASK FRANCHISORS & FRANCHISEES

Purpose

This document offers a sampling of questions to ask franchisors and their franchisees during your Discovery process.

Background

- Among the most important and appealing aspects of the due diligence process is your ability to ask hard-hitting questions to help you make an informed investment decision
- You will have the opportunity to talk with the franchise's executive team during the process itself and at the culminating event, the so-called Discovery Day, during which investors from throughout the country travel to the franchisor's headquarters for a couple of days of socializing and in-depth business reviews
- In addition, there's a phase in the discovery process during which you will be able to speak directly with many of the brand's current and former franchisees. You will find these conversations especially helpful because these owners have already walked the path that you are pondering. They will be honest in their assessment of the brand and their own financial performance. Speak to about 10-12 franchisees.
- With both groups, but particularly the franchisees, you'll be more successful in getting the answers you need if you pose the questions with tact and discretion.
- During our coaching process, we review a wide assortment of possible questions with our clients, and narrow the list to those that are most relevant to them and their situation.
- This document includes many of the most frequently asked questions, but it's only a sampling of the broader library of questions we keep in inventory
- To keep things manageable for you, we've listed a Top 10 set of questions for each group. However, we're happy to go deeper into your specific situation and suggest more tailored questions



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TOP 10 FRANCHISOR QUESTIONS

1. Is there territory available in my area? (If there isn't, you can stop right here!)
2. How do you distinguish yourself in the marketplace - why would consumers choose you over the alternatives?
3. Discuss your executive team, particularly their experience and track record in this market segment, and their franchising-specific experience. Why should I be confident I'm signing on with the right team?
4. Please review carefully my total estimated investment and the key expense and fee components therein.
5. Please review carefully with me the financial performance of your franchise locations - and if that information is not available to what extent will I be able to get a good sense of performance from the franchisees themselves?
6. Please review your Item 20 closure/failure rate - why have locations closed or been terminated and how concerned should I be about this?
7. From when I sign my agreement, how long will it take me to get open?
8. Can you give me a preview of the training, support and game plan I'll get to be ready for my grand opening?
9. Once I'm open, how will you help me acquire customers, and how much should I expect to do on my own?
10. I'm looking to come onboard as a semi-absentee owner/I'm looking to come onboard as an owner-operator ... give me a realistic sense of the skills I'll need to do my role, what a typical week likely will be for me - and how you'll support me on an ongoing basis?

TOP 10 FRANCHISEE QUESTIONS

1. Why did you choose this brand?
2. What's a typical week like for you and how much time do you put in?



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3. What are the biggest challenges you've faced that I should be prepared to handle?
4. How satisfied are you with the support you get from the franchisor - what in particular do you like and where do you feel there's room for improvement?
5. How do you get customers, how easy is it to get them and how helpful is Corporate in generating leads for you?
6. How do you find and train employees, and how do you compensate them, especially given today's labor shortage? Is turnover an issue?
7. What's a reasonable expectation for revenue and operating profit Years 1, 2 and 3?
8. Once I've created my pro forma, would you be open to reviewing it with me?
9. Have your profits aligned with your projections or are there surprises you wish you'd planned for?
10. What's the biggest lesson you've learned during your ownership, and given the opportunity would you invest again?

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