

THE
HIRE
YOURSELF



FRANCHISE GUIDE

8

**SIMPLE STEPS TO SEIZE
CONTROL OF YOUR
CAREER & INCOME
STABILITY**

NAT TRUITT & PETE GILFILLAN

TABLE OF CONTENTS

ABOUT THE GUIDE

ABOUT THE AUTHORS

WHY HIRE YOURSELF?

EIGHT STEPS TO SUCCESS

1. KNOW WHAT YOU WANT

NOTEWORTHY: What NOT to Do: Follow Your Hobby

2. OVERCOME ROADBLOCKS

NOTEWORTHY: 5 Myths About Franchising, Debunked

3. INVESTIGATE YOUR OPTIONS

NOTEWORTHY: Are You an Entrepreneur at Heart? 6 Questions

4. MASTER MONEY MATTERS

NOTEWORTHY: Franchising as Investment Strategy

5. GET THE DETAILS—THE FDD

NOTEWORTHY: 5 Ways Franchisors Make Life Easy for the Technically Challenged

6. GET UP CLOSE AND PERSONAL—FRANCHISEE EVALUATION

NOTEWORTHY: Franchising in the White Spaces—Why Opportunity Keeps Knocking

7. ATTEND A DISCOVERY DAY

8. MAKE AN INFORMED DECISION

CONCLUSION: ARE YOU READY?

WHY WORK WITH THE HIRE YOURSELF TEAM?



ABOUT THIS GUIDE

Imagine . . .

- . . . leaving behind the insecurity and stress of your corporate job.
- . . . running your own successful, profitable business.
- . . . never missing another important family event for work.
- . . . choosing a professional path with less stress and less anxiety.
- . . . creating bullet-proof career and income stability for you and your family.

The HIRE YOURSELF Investment Guide is about Independence. Self-determination. Financial freedom. Setting your own priorities. Stopping the cycle of endless wasted time and arbitrary measurements that have come to define the corporate rat race.

The HIRE YOURSELF Investment Guide is designed to help you visualize and understand the steps to career and income stability through franchising. It will guide you through the basics of assessing franchising for your circumstances, narrowing down the thousands of prospects, deciding whether going all in at once or taking small steps away from the corporate world is best for you, figuring out how to finance, and ensuring the franchise you choose is as well-run, cooperative, positive and profitable as advertised. Along the way, we've included a number of columns about noteworthy topics in franchising today, like common myths and the value of franchising as an investment strategy.

We hope you'll find this information to be a valuable and informative starting point for your franchise search.

Ready to get started?



ABOUT THE AUTHORS

Friendships and partnerships are built on shared values and experiences, and the two of us bonded after realizing we have the same understanding of the role a franchise consultant should play in the life of an aspiring entrepreneur. Great consultants bring focus, understanding, and purpose to the search for the perfect franchise. They tell candidates the truth about what might—or might not—work for them. They offer education, not salesmanship. And they take their greatest professional satisfaction in successful matchmaking—helping candidates and franchisors connect and build flourishing relationships. We hope you'll use the HIRE YOURSELF Investment Guide in the same spirit of positivity and capability in which we wrote it as you start down your own path of career and income independence.



A NOTE FROM PETE GILFILLAN:

*“Did I have to
sacrifice my
financial security
to have these
freedoms?
Absolutely not.”*

It's been nearly ten years since I made the transition from being an executive in the corporate world to taking control of my career and income stability through franchising. B.F. (that's Before Franchising), I was living in the rat race. I was well-compensated but my days were stressful, demanding, and unsatisfying. I travelled all the time. My marriage suffered. My health was a mess. I was missing important milestones and countless small, significant moments in my kids' lives. I spent most of my time chasing corporate goals, many of them ill-conceived and constantly in flux. And I chased them hard—around the globe, 10 and 12 hours a day, at night, on weekends, and with my whole will and focus. I'd wake up sometimes and have no idea where I was, lost in a fog of stress, anxiety, and pressure and the surrealism of staying in what seemed like the same hotel room in a different city/state/country every night.

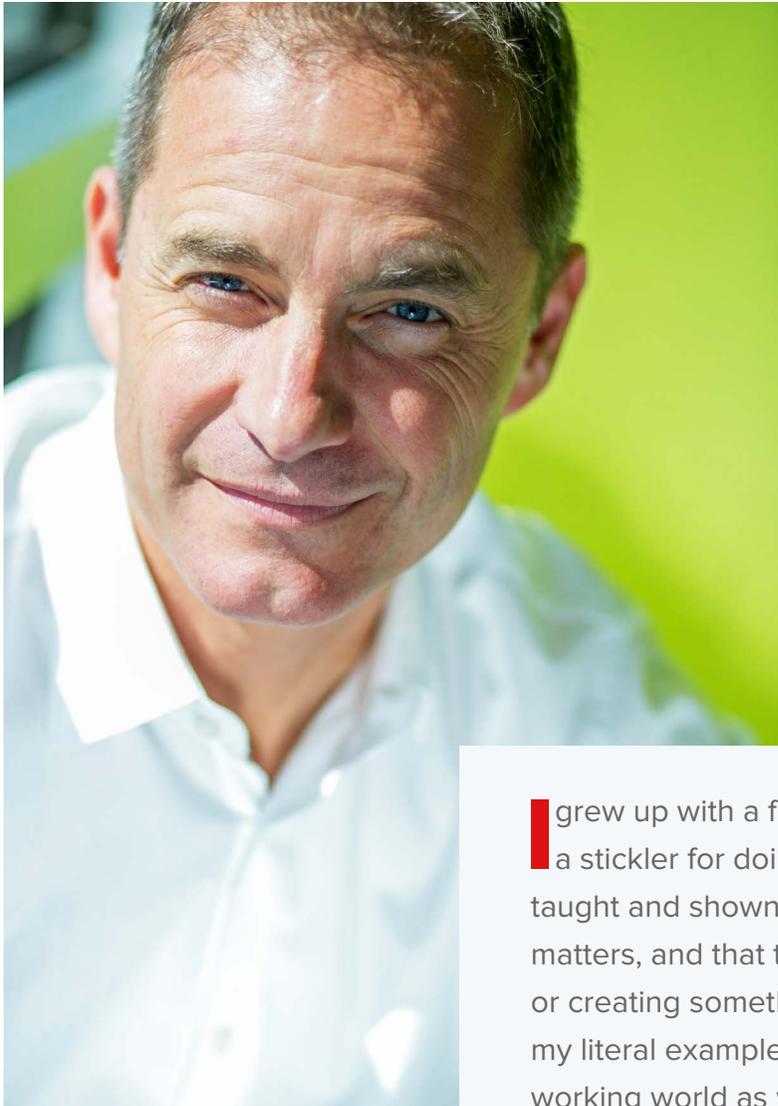
But that was before. Today, I wake up each day ready to execute a schedule I've laid out myself. I work hard, but I also work smart, focusing on self-determined goals that matter. I am present for



my family, the kind of dad who shows up for my kid's activities and the kind of husband who never misses date night. When I accept professional travel, I do it on my own terms, and I embrace it with the enthusiasm of a man who is no longer a road warrior for a company that barely knows I'm alive.

Did I have to sacrifice my financial security to have these freedoms? Absolutely not. Both my income and my net worth are higher now than they ever were when I was slogging away in the corporate world. Life is truly good.

How did I get from there to here? Instead of continuing to be a cog in the corporate wheel, I hired myself. I invested my hard-earned savings in a master franchise, made a profit, and kept moving forward. Along the way I found I have a passion for guiding other aspiring entrepreneurs through the same process. As a franchise consultant, I have the privilege every day of helping other men and women get out of the rat race and into businesses of their own. I'd love to help you, too.



A NOTE FROM NAT TRUITT:

“I do work that leaves me feeling fulfilled—not spent and exhausted like so many of those workers coming in off the train.”

I grew up with a father who was a self-employed bricklayer—and a stickler for doing things right. All through my youth, I was taught and shown by example that the quality of a person’s work matters, and that there’s a powerful inherent value in building or creating something that lasts. Houses and chimneys were my literal examples, but I carried that mentality with me into the working world as well, always wanting to feel confident the work I was doing mattered—that I was building something worthwhile. It’s amazing how easy it is to drift away from that simple, seemingly obvious value in the corporate world.

I got my start in franchising while I was looking for senior care for my grandmother. Choosing the perfect company to partner with in her care made me look at each candidate with a critical eye. What programs would they provide? How could I know the people who spent time with her could be trusted? Which company was doing the job right? It was during this investigatory process that I started noticing some of the companies I was looking at were franchisors, and my curiosity led me to reach out for more information.



When I attended my first meeting of potential franchisees, I looked around the room, talked with a few people, and realized something important: these people, most of them older and more experienced in business than I was, were all smart, engaging, accomplished, and determined. They were looking to make a big move. I knew almost instantly that I wanted to be one of them.

Investing in that senior care franchise was the first great professional decision of my life, one that allowed me to build a million dollar business in less than three years, creating equity that would give me the freedom to find what I consider my true calling—helping other men and women navigate their way to independence through franchising.

Where I live near Chicago, part of the rhythm of daily life is the train ride to and from the city every day. I know what it's like to be standing on the platform in the 6:00 hour each morning and arriving back twelve hours later, drained. But that's not my lifestyle now. I walk a few blocks to my office—a location I chose. I finish my days in time to help coach my sons' baseball teams. I do work that leaves me feeling fulfilled—not spent and exhausted like so many of those workers coming in off the train.

The fact is, I owe a lot of my satisfaction with my life today to franchising. I'd love to talk with you about whether it could be a game-changer in your life, too.

WHY HIRE YOURSELF? 4 REASONS

If you're reading this, you've thought about franchising, but chances are you're still in research mode, wondering Why franchising? and Could this really be the way to take back control of my career? Franchising is not for everyone, but for the right candidate, it can provide a kind of career and income security no job can rival. Before we delve into the 8 Steps to Success, let's talk about the biggest reasons hiring yourself through franchising is deserving of your time and consideration:

1. YOU DON'T HAVE TO REINVENT THE WHEEL

Being an entrepreneur is one of the great American dreams, but becoming one requires us to ask tough questions: Do I have a genius idea for a new business? Do I know if it will be marketable? Do I have the skills and the time required to conceive and launch a start-up?

When the answers to these questions are no, no, and probably not, many would-be entrepreneurs give up. But they're missing what we like to think of as the Entrepreneur Lite option—the viable option of franchising. In franchising, you don't have to dream the big dream or come up with an original idea for a business. Instead, you can pick one someone else has already imagined, created, tested, and made successful. That takes a ton of time and guesswork out of the equation.

2. HANDS ON OR HANDS OFF

Whether you're building a bridge out of the corporate world and into entrepreneurship or you're looking to create a cash-positive retirement, deciding where to put your hard-earned money is always a weighty decision. Many investors want to be able to have a hand in their own financial fate rather than simply entrusting it to unknown brokers. That mindset makes franchising a perfect fit. The franchise investor can choose to be hands on, showing up every day or week and getting intimately involved in the business; or hands off, putting the business in the hands of trusted managers. Over time, if you want to change your role, franchising allows for that as well.

3. YOU CAN BUY SOMETHING YOU BELIEVE IN

If there's a business you love, frequent, and admire, there may be a franchise opportunity there. Many a franchise has been launched after a potential

candidate was so impressed with an experience with one unit that he or she started dreaming of owning one. Choosing a business you both like and respect makes sense for any investor. With over 3000 franchised businesses to choose from, there's literally something for everyone.

4. YOU CAN SIZE IT RIGHT

Many successful franchisees increase their ownership over time or invest in an entire territory and develop it on their own timetable. Franchising allows investors the option of building everything from a family-operated single unit to a giant-sized conglomerate with dozens—or even hundreds—of franchise units under a single owner.



8 STEPS TO SUCCESS

- 01 KNOW WHAT YOU WANT**
- 02 OVERCOME ROADBLOCKS**
- 03 INVESTIGATE YOUR OPTIONS**
- 04 MASTER MONEY MATTERS**
- 05 GET THE DETAILS—THE FDD**
- 06 GET UP CLOSE AND PERSONAL—
FRANCHISEE EVALUATION**
- 07 ATTEND A DISCOVERY DAY**
- 08 MAKE AN INFORMED DECISION**



STEP 1

KNOW WHAT YOU WANT

When you picture your professional future, what do you see?

- A step away from the corporate world?
- Taking your job security into your own hands?
- Generating not just income, but also equity?
- Planning a cash-positive retirement?
- Controlling your own professional destiny?

One of the most critical first steps in deciding if franchising is for you and taking action is making an honest and accurate assessment of your objectives. Every candidate wants a business that offers return on investment. That's the shared bottom line for all of us. Beyond that, though, our goals are widely varied.

Some investors are all about mining for higher margins. Some focus on the most efficient use of their capital. Some want a business that will be simple to operate. Some require great long-term growth potential. Some may be willing to give 50 or 60 hours a week to make a new business hum—but others are investing in a semi-absentee business primarily as a means to build a bridge out of their 60-hour work weeks.

It's time to really think about your personal and professional goals, for the short term and the long, and how you see franchise investment as a means to accomplish them. We've put together a list of topics that can guide you through the key areas of consideration. Our advice? Write out your answers to these questions so you can revisit and review them during this process.

Engagement: How engaged in your business do you want to be, up front and long term? Full time? Semi-absentee? Do you want to learn your business hands-on? If so, do you expect to transition those responsibilities to employees in the long term? Or do you want to remain the artisan, providing service yourself?

Progression: Are you building a bridge out of the corporate world or into retirement? And if so, how long do you want to keep your “day job” before transitioning to spending more time on your franchise and less (or none) on someone else's corporate achievements?

Growth: Do you want to scale the business over time, adding more crews or trucks or opening multiple locations? Do you see your initial investment as the first of many?

Income: How much income do you need to create with your franchise investment? Will a single unit be enough to meet your financial requirements? In addition to the salary you pay yourself, do you expect your investment to become a valuable asset that you can someday sell or transition to family members?

Location: Where do you want to be—now and in the long term? Does this information impact where you open your business? Geographically, where's the sweet spot for you? Sometimes the perfect franchise business isn't available where you want to be.

Status: How important is the status of the business to you? Would you be embarrassed, for example, to own a port-a-potty franchise? How closely do you want to associate yourself with the business you buy? Is there a role you hope your business will play in the community?

Family: How do the needs and wants of the people you love fit into your vision of franchise ownership? Do you want your family to have a direct role in your business?

Schedule: Do you hope to choose an investment that allows you to spend more time at home? How do you feel about working weekends? Or nights? Or holidays? Does your ideal business require hands-on management on-demand, during bankers' hours, or even 24/7?

Purpose: Do you want to make a difference in others' lives, develop and grow employees, and/or provide a beneficial product or service to customers? How important is it to you to feel like you're making a worthwhile contribution with your choice of business?

Risk Tolerance: How do you plan to capitalize the business? Are you willing to leverage your retirement savings or equity in your home? Are you open to personally guaranteeing a business loan or a five-year property lease? What is your tolerance to risk and how will that define your investment threshold?

Duration: How long do you want to own the business? Do you have an exit plan?

WHAT ARE YOUR STRENGTHS? THE 5 CS OF A GREAT FRANCHISEE

When you've finished figuring out what you want, it's time to figure out what you've got. These are the 5 Cs we look for in potential franchisees. Over the years, they've served as a reliable predictor of success. Do you have them all?

1. CAPITAL:

This first qualifier is the one we all know about, the one that some people allow to loom over the idea of franchise ownership and keep them at bay. You must have some significant amount of capital available to invest in a business, typically a minimum of \$50,000-100,000. We'll talk more about money matters later, but know that you don't need to have this investment sitting in a savings account, but you do need to be able to tap your resources to reach it.

2. CAPACITY:

The second "C" is for capacity. Although you may not need specific industry expertise to invest in a franchise concept, there are experiences and skills that will help you on your way. Among them:

- solid business acumen
- drive
- leadership ability
- experience motivating employees
- savvy hiring skills
- ability to read and interpret a profit and loss statement
- clarity of focus

3. COOPERATION:

A key component of franchise ownership is understanding that you don't bear all the responsibility for driving the direction of the business. Your franchisor will have a detailed plan for you to follow—and will need to know you can embrace it in a spirit of cooperation.

Franchisors have to feel confident that you will follow their procedures and systems to create a consistent product and service. That's the strength of a franchise. If you're the "my way or the highway" type, franchising is not likely to work for you.

4. CHARACTER:

Having good character is critically important—and it's built over a lifetime and throughout a career. Franchisors expect the people with whom they partner to operate with honesty and integrity. As a franchisee, you will represent a brand, and franchisors will take a close look at how well you will do that.

Another key component of character is work ethic. Owning a business takes significant discipline and commitment.

5. CUSTOMER SATISFACTION:

The last big "C" is customer satisfaction. Warren Buffett famously said, "It takes 20 years to build a reputation and five minutes to ruin it." Volumes have been written about customer satisfaction—because it is the key to success for all businesses.

Think about your own shopping and service provider experiences and how those interactions have shaped your opinion of businesses. Everyday transactions can earn your repeat business—or ensure you won't be back.

NOTEWORTHY: WHAT NOT TO DO: FOLLOW YOUR HOBBY . . .

When you invest in a franchise, you don't necessarily need to know the new industry on a professional level, though it helps if it's something of interest to you. On the other hand, just because you like an activity or subject area—like reading, for example—doesn't necessarily mean a related franchise (like a book shop) represents the right business model for you.

As franchise consultants, we always ask candidates about their interests and hobbies—Do they work out? Do they like working with their hands? Do they travel?—but these questions are more to get a sense of the person than they are to inform an investment choice. The fact is that what you're interested in during your leisure time has very little bearing on what business might best suit your talents. Think of it as the difference between what you like and what you're good at—you may love a good glass of wine, but that doesn't mean you'd be a good vintner, or even a good wine steward.

Even though you need to keep clarity about the difference between what you enjoy and what you're good at, there are some areas of interest that can help inform franchise selection. For example:

- Are you outgoing? Do you feel comfortable or even energized when you interact with strangers for the first time? Or are you more of an introvert?
- Do you like a challenge? Do you rise to the occasion when you take on something new and unfamiliar?
- Are you good at mental math? Not necessarily calculus or trigonometry, but for business numbers? That's a trait that often correlates to successful franchisees.
- Is it important to you to make a difference in other people's lives? Some candidates do particularly well when they find a franchise that falls in line with their desires to make a difference in others' lives.

When you sit down with a franchise consultant or your list of franchise concepts of interest, be self-aware. Don't be the investor who comes leads with, "I like animals (or tea, or computers, or massage) . . . What do you have in that?" Instead, try leading with your abilities, perhaps something like this:

- "I'm a great team leader with a gift for motivating people;"
- "I've won two major marketing awards in the last decade;"
- "I've had my best professional successes when I've had the freedom to set my own schedule;"
- "I do my best work when I feel like the end result matters, like I'm providing a service that is truly valuable to the customer."



STEP 2

OVERCOME ROADBLOCKS

You've got the will, the vision, the investment capital. What's standing in your way? A lot of candidates get hung up on their fears of giving up the perceived security of their day jobs, on the logistics of actually investing, in the opinions of negative advisors, and in recognition of family fears. Let's look at each of the four obstacles that most often stand between would-be entrepreneurs and franchise investments individually.

ROADBLOCK NUMBER 1: GIVING UP PERCEIVED SECURITY

On the most basic level career and income security is what we all work for—the ability to hit the pillow at night knowing we are, and will continue to be, able to provide. It’s easy to think that once you’ve got a corporate job and a substantial paycheck, you’re set. But in this day and age, that’s nothing more than a myth. The fact is, the kind of career and financial stability provided by corporate employers gets more fickle and fleeting with every passing year. As franchise consultants who’ve worked with countless candidates who got caught unprepared by corporate moves that pushed them down or out. We’ve seen the same unfortunate scenarios play out again and again, all too often to hard-working, loyal employees who barely saw them coming. The biggest issues we see year after year, even as the economy picks up steam, are these:

New Leadership Shake-Ups. We’ve seen more than \$2.5 trillion in corporate mergers in 2018 alone—a record—and these mergers and acquisitions inevitably lead to reorganizing, to eliminating duplicate positions, to an in-with-the-new-and-out-with-the-old mentality. The hardest hit folks are often in management, sometimes with entire levels of the corporate ladder wiped out in one fell swoop. No one is bulletproof in a merger situation—least of all middle and upper management employees who once seemed to have all the job security in the world.

Downsizing. Reorganizations eliminate executive positions. So does garden-variety corporate belt-tightening. The days of “fat” corporations are coming to an end, and many are trying to prove they’re lean by getting rid of jobs—and employees—who are perceived to be dispensable. This happens every day in every industry, not just to the kind of worker who doesn’t pull his or her weight, but also to strong contributors whose positions are identified as somehow dispensable.

Arbitrary Objectives. We all know someone who's seen a career chapter end with the simple brutality of, "You didn't make your numbers." In today's business world, we frequently encounter Moneyball-style trends towards metrics above all else. Too often, these systems put the numbers above the people, even ousting consistent performers who've hit temporary rough patches and missed inflated objectives.

Pushing Out Top Earners. Hand in hand with the ouster of perceived under-achievers are all the subtle and not-so-subtle ways many corporations work to push out seasoned—and highly compensated—managers and executives, often with an eye to replacing them with someone younger and cheaper to employ.

Contracting and Outsourcing. These two ways of getting business done are here to stay in what is increasingly our gig economy. Somewhere out there is a contractor or freelancer who's willing and eager to do the kind of work you do with less job security. This is a trend that's here to stay, especially as millennials pour into the workforce looking for work that offers more flexibility and freedom than was ever possible in the corporate structure of just a decade or two ago.

Your corporate job and the perks that come with it may feel safe, but don't get complacent. The fact is, the only true career and income security is the kind you create yourself. Everything else puts you at the mercy of the winds and whims of ever-changing corporate culture.

ROADBLOCK NUMBER TWO: OVERWHELMING LOGISTICS

The sheer number of options available to franchising candidates can be daunting, let alone the logistics of making a career change that's substantially more complex than just leaving one job for another. One of the biggest obstacles we find candidates struggling with at the beginning of this process is the How of it. How do I find the right franchise? How do I finance it? How do I know if this will work for me? How do I walk away from my salary and my benefits without putting myself at too much risk?

We'd like to address that last, and often biggest, fear first. Here's the secret more and more savvy investors are discovering: Franchise investment doesn't have to be all or nothing. You don't have to quit your job, give up your benefits, and turn your back on your corporate salary all in one fell swoop. In fact, you might be wise not to. Why not keep your six figure income while you do your research, choose your franchise investment, line up your financing, and—if you choose a semi-absentee business model—while you get it up and running? Put another way: why not build a bridge from where you are to where you want to be, rather than taking a giant, unsecured leap?

In addition, a knowledgeable, experienced franchise advisor can guide you through the maze of available options as you make a franchise investment, and point you toward your most viable business and financing options. Keep in mind that the services of expert franchise investors like us are free to you. We are compensated, like real estate agents and executive recruiters, by franchisors who rely on our expertise to help them find qualified candidates who can be successful.

ROADBLOCK NUMBER THREE: NEGATIVE ADVISORS

There are a few topics everyone you've ever met thinks they know a lot about, including parenting, grilling technique, and franchising. So what should you do with all the unsolicited (and often uninformed) advice you're going to receive during this process?

Our advice is simple: Do your own research. Seek counsel from people whose judgment and insight you truly trust. Ask questions and listen to the answers. But when it comes to the know-it-alls on the perimeters of your process, tune them out. If the person offering you advice is neither an expert nor a trusted advisor, then why is he or she trying to meddle in this very personal decision in your life?

ROADBLOCK NUMBER FOUR: FAMILY FEARS

This concern is the opposite of that of negative advisors on the perimeter of your life. We're not talking about your old Uncle Ned or even your sister-in-law the accountant. This is about your spouse, your partner, your children—the people who stand to directly share in your fortunes if you choose to make a life change. It's about the people who need to be on board.

One of the biggest mistakes candidates considering franchise investment make is leaving their significant others out of the loop. A wise franchise consultant once said that when it comes to including a spouse in investment research, "You can either do this with your partner or to your partner."

So if you want to do this the right way, include your family in your investigations right from the start. If your partner hasn't been on the whole journey with you—if you've been working on the logistics in your own head for weeks or months or years—take the time now to catch them up. Build their confidence by sharing your business plan and laying out your realistic expectations for year one, year two, and even year ten. Their daily lives will be impacted by any

changes you make, and they deserve to be involved in the decision-making process.

NOTEWORTHY: 5 MYTHS ABOUT FRANCHISING, DEBUNKED

1. Franchising = Fast Food. Okay, this is the biggest one. Yes, McDonalds and Five Guys and KFC are all franchises, but fast food businesses make up just a fraction of the opportunities franchising business systems offer. Franchising is an increasingly prominent factor in countless industries, including business consulting, real estate, travel, elder care, staffing, security, sports, retail, fitness, relocation, automotive, accounting, advertising . . . The list goes on and on, and the point is, if you want to build your own business through franchising, there's an option to suit your strengths, skills, and career objectives.

2. Franchising = Touch Labor. Another prominent myth about franchising is that if you choose this career route, you'll forever be the person behind a counter or making service calls—that being a franchisee means being the direct labor and/or point of contact for your customer. This is the myth that keeps many high-level executives on the fence, hesitant to give up the privileges that come with being atop the corporate ladder. The fact is, franchise opportunities comes in all shapes and sizes, and one of the most desirable routes is one that allows the franchisee to come in at the master level—owning multiple facilities, services, or an entire market.

3. Franchising Means Giving Up Job Security. Actually, one of the best things about franchising is that in many cases you can build up a franchised business without giving up your day job. Every day we work with successful candidates who are looking ahead and using franchising as a way to bridge their way

out of the corporate world or into profitable retirements. There are franchise opportunities available for every level of time commitment, from a few hours a week to 24/7.

4. There's No Room for Individuality in Franchising. Whether you are creative, expressive, energetic, charismatic, or just your own brand of capable, there is a franchise that will allow and encourage you to be yourself and bring your own unique special sauce to the operation. Franchising is all about successful, replicable systems. But within those systems, there's plenty of room to make your own decisions and have your say.

5. The Best Franchise for Me is the Most Well-Established/Fastest Growing in My Region. There are strong arguments for choosing a franchise that's already a brand name, but also for being an early adopter of an up-and-comer. How do you decide? Talk with a franchise consultant who can help you identify your strengths, explain local possibilities, and help you match the perfect franchise opportunity to your objectives.



STEP 3

INVESTIGATE YOUR OPTIONS

One of the fascinating things about being franchise consultants is the opportunities we get to peek under the hoods of franchisors' operations. Every day we encounter new, innovative concepts that are destined to change their markets for the better, and we see first-hand the secrets that keep some old-guard companies growing and profitable while others age less gracefully. Given the sheer depth of the field of options, it pays to have a plan. Follow these Hire Yourself guidelines to keep the process organized and moving forward.

EXPLORE 3000 POSSIBILITIES

With thousands of options available, how do you narrow down to just a few prospects? We sometimes liken the search for the perfect franchise to the search for the perfect college for your child. You want to know if it's too big or small; if it's highbrow or casual; if it's safe; if it has high freshman retention and graduations rates, and, of course, if you'll be making a good investment in your family's future. There are countless factors that weigh into the decision about which school is just right, and that's just how it is with finding a reputable, profitable, compatible franchise.

In the earliest stages, most candidates start with the internet, but you'll soon need a system to weed the proven concepts from the risky ones. The way we look at it there are three primary ways to go through this process. For our purposes, we can call them Good, Better, and Best:

Good: Fishing for Information. You can go to a website that advertises franchising concepts and provide your personal information. Franchise companies may pay to advertise on this site, and third-party salespeople will likely purchase your contact information from the site and reach out to you to offer you more details. This can quickly become intrusive and overwhelming, so proceed with caution when deciding where you want to provide your personal information. Using this kind of franchise portal can be a regrettable experience that leaves you inundated with phone calls and emails from now until eternity—not just from the people you gave your name to, but from everyone they'll sell your information to as well.

Better: Straight to the Sales Department. To find out more about a particular company, you can also go straight to the source, the franchise company. You may have an interest in a particular brand, or you may have read about a

prospect you want to explore. When you approach the franchisor directly, you come to them as an “organic lead.” On the franchisor’s home page, you will find an information tab. You can click on that tab and provide your contact information to learn more about franchise opportunities. By doing so, you enter the company’s sales pipeline, and someone in their development group will certainly respond. However, there’s no financial benefit for you in requesting information directly through a franchisor’s website. The franchise fee does not depend upon how you were registered or introduced to the company. The drawback to this approach is that it tends to be narrow. It is challenging to compare concepts when each is being “sold” to you directly from the franchise company.

Best: Enlisting a Neutral Third Party. The third alternative is to engage a neutral third party to compile information and help you evaluate the different concepts. That neutral party is a franchise consultant. A good consultant has broad experience and expertise in the franchise world and can walk you through a self-evaluation and investment search. A good franchise consultant will research concepts for you and introduce you to the options that best match your goals and strengths. A consultant can take some of the emotion out of the decision and help you recognize when a concept is made more of whiz-bang marketing than proven success in practice.

As an added advantage, when you do choose a concept to learn more about, a franchise consultant brings you to the franchisor not as an unknown entity, but as a vetted candidate.

CONSIDER CONCEPT

Concept often colors your very first test of a franchisor. You ask the question, “What do they do?” and the answer to that question is the concept. This can be anything from bakery to business coach to painting franchise to gym. The possibilities are endless. Once you know what the company does, the next question is about who it serves—so your answers above might become gourmet bakery and executive business coach, commercial painting franchise and women’s-only gym. Beyond the market designation, a franchise might have a unique hook or angle that sets it apart—for example, the bakery might specialize in cupcakes or offer delivery; the business coach might specialize in a unique hiring process for finding “A players”; the painting franchise might leverage patented technology in its process; and the gym might build its schedule with super-efficient 30-minute classes. In each case, there’s some defining characteristic that helps set the business apart.

As consumers, we’re aware of concept already; but as a potential investor, you’re looking closer, at what makes a concept unique, how it’s implemented, and how it provides a satisfying experience to the customer. What makes our bakery better than XYZ Bakery that’s been in business half a mile away for decades? And what does that gym offer its clientele to maintain their loyalty when there are so many other fitness businesses around? As an investor, you want to know what makes the franchise tick.

As you search franchise opportunities, you may choose to eliminate whole sectors of candidates based on industry and concept. For example, some people have no interest in working in the food industry—thus taking several hundred franchise possibilities out of the running. Some don’t want to be responsible for a retail outlet and the investment that entails—and there goes another huge sector. It’s fine to set clear parameters regarding what kind of businesses you don’t want to consider, but be careful about dismissing too many possibilities out of hand. In my experience with investment candidates, after they’ve gotten up close and personal with a few well-chosen franchise

concepts, many choose the option that was their last choice before digging in and learning more.

The key at this early stage is being able to identify a concept that benefits everyone involved: the franchisor has a winning idea that grows and makes money; the franchisee finds a way to leverage his or her business acumen to help further build the business and earn profits; and the customer receives a beneficial service or product.

If a franchise's concept exhibits this win/win/win design and seems solid and logical to you, then it's time to move on to the next measure of assessment: the business system.

ANALYZE SYSTEMS

The second main question you should ask when looking at franchise investments is, "How does the franchisor provide its product in a way that it can replicate success in each new unit?"

When we talk about these systems, we're talking about how the franchising company accomplishes everything that happens in the business. How do they do hiring, training, purchasing, marketing, product delivery, billing? What technology do they implement? As you gain more knowledge of individual companies, you can—and should—be impressed at the efficiency and comprehensiveness of their systems. Great franchises leave little to chance—they have all the steps to success broken down into clear, meaningful processes. And those steps mean that you should be able to see the uniformity from one unit to the next, or experience it in terms of marketing, responsiveness, product offerings and professionalism, if the company provides a service.

You won't be privy to the inner workings of a franchisor's systems at first glance, but you should be able to get a sense of efficiency and capability in

any interaction with the company. Can you appreciate how the franchisor, franchisee, and customer are in a win/win/win triangle? Do you feel like you could count on this company if you were a customer or client? What about as a franchisee? If so, think about where your confidence comes from. We'd be willing to bet it's rooted in the systems the franchisor has in place to ensure quality and consistency.

CHOOSE A BUSINESS MODEL

Whether you want to gradually build a bridge from your corporate job while still working or are ready to go all-in, there's a franchise model for you. Finding it is the challenge. It helps to understand the basic business model choices you'll need to make:

OWNER -OPERATOR OR EXECUTIVE?

Owner-Operator/Artisan Model: With owner-operator businesses, the franchisee may be the artisan, the person behind the counter, or the one providing the service. This owner likely has one business, and probably one location. It is a great starting point for someone who has always dreamed of owning a business, and who wants or needs to start small. As an owner-operator you will spend your time working in the business, not on the business. You will be tied to the facility or the truck, taking care of the daily needs of the business. For some investors, the ideal way to build a franchise business is to start out as an artisan, learning the work and bringing the business to profitability, and to eventually move to a more executive role.

The Executive Model: The business owner who wants to leverage capital to deliver the highest possible return on investment might consider the executive model. This person has the capital and business acumen to build a larger

operation. Over the long term, people choosing the executive model want to work on the business, not in the business. They are engaged, but focused on higher level decisions, employing well-chosen managers to tackle day-to-day operations. The executive model takes advantage of economies of scale. As your business grows, you can focus on leading the managers of your locations, or setting up accounts to grow your service businesses.

SINGLE INVESTMENT, MULTI-UNIT, OR AREA DEVELOPMENT

Strategic franchise ownership describes large-scale franchise investments. The idea is to build a sizeable business that, over time, can provide enough income to replace or exceed a corporate level income and provide a significant return on investment.

Multi-Unit Model: When you delve into franchises one at a time, you invest in a single franchise and pay a single franchise fee. You might open your franchise location six months after signing the franchise agreement. When that business is stable twelve months later, you might go back to the franchisor and request a second franchise.

There are two potential disadvantages to investing one-at-a-time if your long-term goal in owning multiple units. First, in most cases, you'll have to pay another full franchise fee for a second location. Second, assuming you invested in a growing franchise concept, the best locations in your area may be sold by the time you're ready to double down.

In the multi-unit investment model, or franchise development schedule, you invest up front for the rights to open multiple locations in strategic territories within a defined time period—but not necessarily right away. This strategy can be applied to service-based franchise concepts as well as facility-based models.

Area Development Model: In this model—sometimes called a master franchise—the franchisee buys the rights to a large geographic area. For example, you may buy the rights to develop a franchise concept for the state of Illinois. An area developer or master franchisee works with the franchisor to find franchisees and helps them set up new businesses.

As an area developer, you work as an independent agent of the franchisor, helping that company expand while building your own business. You also take some of the responsibility for training and developing new franchisees in your territory.

Area development franchisees generate revenue in multiple ways. First, when they help place franchisees, they receive a portion of the franchise fee. Second, when the new franchisee is launched, the area developer gets a portion of the franchisee's monthly royalty payment. Third, many area developers have the right to open their own franchise units within their territories to generate additional revenues.

NOTEWORTHY: ARE YOU AN ENTREPRENEUR AT HEART? 6 QUESTIONS

Aspiring entrepreneurs often spend years wondering if they have what it takes to make it on their own. While there are a number of concrete factors that figure into whether you can succeed as an entrepreneur—things like opportunity, demand, and access to assets and credit—there's also a less tangible factor: the entrepreneurial spirit. If you've ever wondered if you're truly an entrepreneur at heart, here are 6 questions to help you sort it out.

1. DO YOU LIKE TO RUN THE SHOW?

The entrepreneurial spirit is one that demands to make decisions, to make things happen, to play a guiding role. If you can't stand the idea of sitting back and letting someone else take the helm, if you hate being in the back seat, if you answer every call to action with a resounding, "I'll do it!" your inner entrepreneur is strong.

2. DO YOU LOVE TO LEARN?

You don't have to be an expert in everything to be a successful entrepreneur, but you do need to be able to learn as you go. Your ability to study, to listen to counsel, and to incorporate new knowledge into your decisions is critical. Always been a good student (in class or in life)? That's a sign you're an entrepreneur at heart.

3. DOES "IT" REALLY MATTER TO YOU?

The answer to this question doesn't really need to be quantified by defining what "it" is. Things matter to you. Quality matters. Success matters. You probably keep lists on your nightstand and in your pockets of important stuff you just cannot forget or overlook. You probably have a perfectionist streak. The passion you feel—the unique quality you have that makes things matter to you—makes you great entrepreneur material. Entrepreneurs are motivated from within.

4. ARE YOU AN OPTIMIST?

If we're being honest, it's important to acknowledge that entrepreneurship is hard. Starting a business takes a toll on your psyche, your bank account, your

relationships—on nearly every aspect of your life. For those who persevere and succeed, those tolls are repaid many times over—not just in financial gain, but in the freedoms and personal satisfaction that come with the ability to live a self-directed life. Getting through the hard times to reach that point requires hard work, stamina, and the more elusive but no less essential quality of optimism.

5. ARE YOU PREPARED TO LEAD?

It's almost impossible to make it as an entrepreneur alone. You need people to willingly follow you—partners, employees, customers. The cocktail of traits that makes a great leader is not the same from person to person. You may be charismatic or resolute, bold or steadfast or quietly encouraging. The key isn't which traits you bring to the table, but whether they work. Do people listen to you? Trust you? Aspire to work with you towards positive ends? If so, then you've got that elusive quality that makes you a leader—one of the most crucial qualities of an entrepreneur.

6. ARE YOU RESILIENT?

Hand in hand with an attitude of optimism is deep-down resilience. We've worked with hundreds of entrepreneurs as they've started their businesses and have yet to encounter one who didn't hit a single snag. It's a simple fact of the process. The winningest entrepreneurs share a core resilience that allows them to reset after any obstacle and start moving forward again.



STEP 4

MASTER MONEY MATTERS

The biggest question most would-be entrepreneurs want answered after “How do I make it happen?” is “How do I pay for it?” The best way to answer that question is in two parts. First, we’ll talk about how to be confident you are in a strong enough financial position to buy a franchise (spoiler alert: you do NOT have to be in possession of the full amount of the investment). Then, we’ll talk about where to find financing to augment your personal investment.

MONEY MATTERS PART ONE: ASSET ASSESSMENT

There are three main components that will determine if you are financially solvent and solid enough to buy into the franchise you choose: your net worth, your liquid capital, and your credit history.

Net Worth: Before you commit to any franchise concept, you'll need to know your documentable net worth. Every franchisor and lender will have a measure of net worth they want you to meet as assurance you are solvent enough to successfully launch a business. To calculate your net worth, start with a summary of your assets, then subtract your liabilities. Don't forget to include investment and retirement accounts, annuities, and any loans in your name. If you have a low or negative net worth number, you probably need to wait and beef up the asset side of your balance sheet (or reduce the debt side) before moving forward with franchise investment.

Liquid Capital: If your net worth is within the recommended range your franchise consultant or the franchise you have in mind suggest, your next step is assessing your liquid capital. This is the money you could, if you had to, produce in cash or easily convert to cash. Your liquid capital includes funds in savings accounts and accessible stock investments. As a guideline, you can expect to need a minimum of \$50,000 to \$100,000 of liquid capital for a service-based franchise concept and a minimum of \$75,000 to \$100,000 for a facility-based franchise. Depending on the size of the commitment you make—for instance in the case of a multiple territory development schedule or an exceptionally large and costly facility—you might need substantially more money at the table. Keep in mind that these numbers only represent your liquid investment—not your total investment. Your total investment will include the liquid assets along with the financing you secure.

Your total available liquid capital may not all be sitting in a savings account. You may also have convertible assets that can add to your total. Home equity is one example. If your home is worth more than you own on your mortgage,

you may be able to access that value through a line of credit, thus converting it to a liquid asset. Retirement savings can also sometimes be leveraged to support your franchise investment through accounts that allow for self-directed investments.

Credit History. Your credit history is a less tangible, but very important, part of your financial self-assessment. If you've made a habit of keeping your financial house in order, you'll be rewarded when franchisors start looking at your suitability for their brand. Franchisors may consider your credit rating, proven financial stability, tenure as an employee in various positions, and payment histories when they weigh the risks of granting you a franchise. As part of your due diligence, order a copy of your credit report and look for any inconsistencies or concerns. You'll need to be prepared to explain any issues you find there.

MONEY MATTERS PART TWO: FINANCING

With your business plan in hand, it's time to tap all your available resources to find the best available financing at the lowest cost to you. As you enter this phase of capitalization, keep in mind that there are lenders, accountants and attorneys who specialize in franchise financing. In some cases, they represent your best chance of a smooth, successful financing experience.

We recommend starting your financing investigations by weighing your ability and willingness to leverage your own assets and working your way from there to conventional and other potential lending sources.

Home Equity: If you are a homeowner, you may be able to leverage your home equity through a home equity line of credit (HELOC), or a home equity loan (HEL). The biggest advantage to this is that leveraging your own existing equity should be possible at a relatively low interest rate. The disadvantage is the inherent risk involved in putting your home up as collateral for your business. Always take care not to assume more risk than you could handle.

Retirement Funds: You can leverage retirement funds for your business investment and avoid penalties by working with a company that specializes in helping investors take advantage of the Entrepreneur Rollover Stock Ownership Plan (ERSOP) or Rollovers as Business Startups plan (ROBS) to fund new businesses. In these scenarios, your retirement funds become an investor in your business instead of being invested in publically traded equities or fixed-income investments. Using this kind of account is quite complicated, so make sure you work with a reputable investment professional to ensure your ERSOP or ROBS is set up and executed correctly. As with the use of home equity funds, use caution as you look at utilizing retirement dollars. Know the risks of putting this money ear-marked for long-term security on the line for a business venture.

Family and Friends: Gifts, loans, and investments from family members can be a great source of capital for your business. We worked with one candidate who ended up recruiting both his father and brother in his investment, and they successfully launched multiple units of a franchise they all hope to profit from for some time to come. If you do accept funds from people you have personal relationships with, make sure you have an agreement in writing, with the terms and conditions of the gift, investment or loan clearly outlined—including investment terms, payback terms, interest, and what happens if you default. Having the details hammered out in an agreement may prevent a misunderstanding down the line.

Franchisor (or franchisor-assisted) financing: Franchisor financing is sometimes offered directly from a franchisor and sometimes offered through a third party prearranged by the franchisor. Programs vary widely, but some of these arrangements have notable benefits. For example, some may not require collateral, some might offer equipment leasing, some offer deferred payments. Some may have low-interest rates, but others may not even be competitive with traditional loans. Check with your franchisor to see what programs it may offer, then be sure to compare all the choices available to you.

Franchise Financing Companies: There are companies that specialize in financing franchise businesses that can offer assistance with figuring out how to capitalize yours. These companies understand the franchise business model and have relationships with financial institutions that fund franchise loans. Some also specialize in assisting clients with utilizing retirement funds as ROBS (Rollovers as Business Startups plans) and in securing U.S. Small Business Administration loans. In many cases, these companies have preapproved dollars set aside to help people invest in franchised businesses. This can streamline the process of getting your investment dollars.

Traditional Loans: Another option is to leverage traditional business loans, or commercial loans. There are many types of commercial lending, including secured and unsecured loans, short- and long-term loans, equipment loans, and business lines of credit. Expect to put up at least 20% of your investment to be considered for these kinds of loans, and know that many traditional lenders may not understand the franchise business model as well as lenders who specialize in this area. As with any financing source, it's always in your best interest to shop around, so make sure you check out business loans at multiple financial institutions.

U.S. Small Business Administration Loans: The SBA offers loans through participating banks and lenders, and since the SBA will guarantee up to 85% of the loan, there is less risk for the lender—which can translate to a lower interest rate for you. SBA financing is not really a government loan, but rather a private loan backed by government funds. There are multiple types of SBA loans you can investigate. Make sure you carefully evaluate the pros and cons associated with taking out an SBA versus a traditional loan, i.e. the cost to establish the loan, the length of the loan, and the interest rates of the loan. Note that if your franchise company is listed on the SBA registry, it may help expedite the process for a new franchisee to get an SBA loan. Also worth noting is the fact that individuals with high net worth may not qualify for this type of loan.

Online Financing Centers are online companies that serve as clearinghouses for franchise financing. These companies have multiple financial institutions in their systems to review your financial information and evaluate your request for financing. They host the equivalent of speed dating for the loan industry—you provide all of your information, then lenders review it and decide if they'd like to initiate a relationship with you. As with any lender, the onus is on you to make sure the franchising company and lender are reputable entities. Your franchise consultant can recommend an online franchise financing company with a good reputation and track record.

NOTEWORTHY: FRANCHISING AS INVESTMENT STRATEGY

In recent years, the U.S. economy has been heavily advantageous to borrowers. Rarely has it been cheaper to borrow money to buy a house or a car or to start a business. But what if you don't want to borrow—what if you want to invest? The borrower's advantage is often the investor's hardship. Where are the options for a 10-15 percent—or higher—return? Let's look at the 3 biggest reasons franchising may be the right choice for the returns-minded investor:

1. DOUBLE THE AUTONOMY

If you've ever wanted to feel in control of your own destiny, consider that franchising offers both career independence and investment autonomy. Rather than entrusting your life's savings to the skills and reliability of a fund manager, you can invest your assets in a venture that you control. And choosing to invest in a hands-on franchising option lets you double down on that independence—allowing you to not only direct your money to a concept you believe in, but to take control of that operation, too. If you've ever felt like you're at the mercy of your career rather than being the architect of it, this double dose of self-sufficiency may matter a great deal to you.

2. UNPRECEDENTED INSIGHT

Stock investments rely on faith and history—and there are few among them that can be predicted based on either. However, due to the information provided in the standard Franchise Disclosure Document and the unprecedented opportunities it provides to connect with those who've invested before you, the franchise selection process allows you to discover not just the financial outlook of your choice, but the thoughts and comments of investors like you who've already made the leap and bought in. What other investment option offers that kind of up-close-and-personal assessment of how prior investors are doing and how they feel about the choices they've made? To get a bigger picture and give context to your direct interaction with franchisees, you can also review large scale franchisee satisfaction surveys. Combined, these tools provide exceptional insight into the inner workings of franchised corporations.

3. MULTIPLE RETURNS ON INVESTMENT

One of the biggest advantages franchising offers the investor is the possibility of growing capital in multiple ways. For example, at the first tier, a typical franchisee draws a salary. At the second tier, once the business hits the breakeven point, the franchisee shares in the annual profits of his or her investment. At the top tier, since the wise investor chooses a concept based on a reasonable prediction that the value of the business itself will increase over time—the franchise unit becomes an asset that can one day be cashed out. Investors who opt to invest as area developers or master franchisees can create even more streams of income through multiple units or by way of their own franchisees.



STEP 5

GET THE DETAILS: THE FDD

One of the biggest steps in franchise investigation is receiving and reviewing the franchise disclosure document (FDD). In most cases, after your introductory call, the franchisor will offer to send it to you, and you should be ready to spend some time with this very important document.

The Federal Trade Commission requires all franchises to have an FDD in place and to provide it to potential investors before any contracts are signed or money changes hands. The FDD is written by attorneys to follow a very specific and regimented format, addressing 23 separate items. It can range from a few dozen pages to a few hundred pages of legalese. Fair warning: this can be nap-inducing material.

Despite being tedious, the FDD is an invaluable tool to protect both franchisors and franchisees. This document provides a detailed portrait of the company you're considering investing your hard-earned dollars with. It shares nuts and bolts information about who runs the company, what kind of background it has, and how it operates. It defines and details the relationship between franchisor and franchisee, spelling out the obligations of each party. The FDD allows a potential franchisee to make an informed business decision with all facts in hand.

Some candidates find the FDD too dense and technical to follow and may want an attorney who specializes in franchising to help them understand it. Whether you ask an attorney to interpret the FDD or choose to manage it on your own, having a basic understanding of what each numbered section of the document covers and what kinds of issues you might want to look out for can help make sense of it.

Here's a list of each item and a short explanation to help give you some perspective on this resource. Keep in mind that the opportunity to ask questions comes part and parcel with receipt of the FDD, and the franchisor should be willing to schedule a Q&A after you read. If you need clarification, be sure to follow up with questions.

ITEM 1: COMPANY BACKGROUND

Contains: The name and some history of the franchising company, including disclosure of any parent, predecessor, and affiliate companies.

What to Look For: Is this a new company? Is it a reincarnation of a previously failed company? Or an affiliate of a troubled corporation? Does it have a parent or affiliate companies with a track record of success?

ITEM 2: FRANCHISOR LEADERSHIP

Contains: A list of the key players in the franchising company and a short professional biography for each.

What to Look For: Read this section with an eye toward understanding the levels of experience and success the primary players have not just in their field, but also in franchising. Success in an industry doesn't necessarily equate to success in franchising. It's always nice to see both.

ITEMS 3 AND 4: LITIGATION AND BANKRUPTCIES

Contains: The franchisor discloses in these sections if the company or any of the principals are involved in active or pending litigation or bankruptcy proceedings. These items may include claims filed by or against the franchisor.

What to Look For: In an ideal world, a franchisor would have nothing to report in these sections, but in practice, litigation is a sometimes unavoidable reality—especially when you're dealing with a large corporation. We recommend you be wary if you see a pattern of lawsuits filed by franchisees.

ITEMS 5-7: FEES AND INITIAL INVESTMENT ESTIMATE

Contains: Initial fees for buying the franchise; these are largely up-front and one-time costs. Item 6 lists additional and ongoing fees for franchise ownership. Item 7 estimates the expense to open and operate a franchise outlet for the first 3 months of business.

What to Look For: By the time you receive the FDD, you will probably have a good understanding of the franchise's initial fees, but the breakdown of long-term fees in Item 6 may be your first clear and detailed view of how the franchisor makes money from each unit. Be sure you understand the royalty

rates, advertising fees, training and consulting fees, and other expenses here.

In the case of Item 7, the numbers will offer an invaluable glimpse into the total costs of opening a franchise unit. That said, be mindful of the numbers that are not on this page. The franchisor's calculation doesn't factor in investor costs that lie outside the scope of the FDD—like your living and other personal expenses during the start-up period. Also left unmentioned is the fact that many start-ups take several months to break even—and so you must be capitalized to operate until the business begins paying for itself.

Undercapitalization is the biggest potential threat to any start-up, and so do your own math—preferably with the help of a trusted accountant—to predict your costs during those first few critical months. Develop a robust business pro forma and use it as your guide.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Contains: In order to provide consistent products and services, companies often require franchisees to buy supplies, equipment, software, etc., through their corporate channels. This section details what you will have to buy through your franchisor.

What to Look For: It's not uncommon for the franchisor to make a profit margin through supply sales. In an ideal system, though, the franchisor's bulk purchasing power will still offer the franchisee savings over what he or she would pay in the open market. Make a note to ask franchisees about the fairness of product and service costs in your next investigation step.

ITEM 9: FRANCHISEE'S OBLIGATIONS

Contains: A list of all the franchisee's responsibilities to the franchisor, each cross-referenced to its appropriate section in the FDD.

What to Look For: Despite being labelled Item 9, this section of the FDD serves as the organizational center of the whole document. Use this section to review your obligations and to make a list of any questions or concerns about each. Item 9 can be very helpful in figuring out which areas of the FDD are unclear to you and might require further explanation.

ITEM 10: FINANCING

Contains: Disclosure if the franchisor offers any financing to new franchisees, or if it has established relationships with outside lenders to help franchisees borrow funds.

What to Look For: Consider any franchisor financing options alongside all of your other options, comparing rates and terms with equal weight.

ITEM 11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Contains: A summary of franchisor support systems for its franchisees.

What to Look For: You want to see a detailed, well-thought-out system of franchisee support under this heading. Beyond brand recognition, the processes and steps outlined in this section represent a large part of what you're paying for when you invest. How much and what kind of training will be provided? Will the franchisor send someone to help onsite at your opening? What kind of advertising will your investment buy? Look for a thorough and supportive system, and be alert to any qualifying language like "up to X hours training" or "X hours training if deemed necessary." Item 11 should give you confidence the franchisor will support you throughout your partnership.

ITEM 12: TERRITORY

Contains: A summary of the franchisor’s territory protections for your investment.

What to Look For: After reading this section, you should feel assured that another XYZ franchise won’t be opening up a block away from your retail unit, nor will another start catering to the territory of your service unit.

ITEMS 13 AND 14: TRADEMARKS, PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Contains: These items are self-explanatory disclosure of proprietary protections.

ITEM 15: OBLIGATION TO PARTICIPATE

Contains: This item simply clarifies if the franchisee is required to personally manage the unit or if this can be hired out.

What to Look For: Chances are, you would not have gotten this far in the process if the company’s requirements did not match your goals.

ITEM 16: RESTRICTIONS ON SALES

Contains: Clarification of what the franchisee can and cannot offer for sale under the franchising agreement.

What to Look For: This section should be fairly straightforward—after all, part of the appeal of buying a franchise is knowing you’ll be distributing a reliable product using a uniform system.

ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

Contains: This item will be presented as a chart and in addition to defining the basic terms of agreement, it will cover almost every “what if” scenario. What if you decide to sell? What if you break the rules? What if they go into bankruptcy?

What to Look For: Keep in mind that when you invest in a franchise you are not, per se, “buying” it. You are buying the rights to use the name, image, and systems of the franchise for a set period of time. A typical agreement might be for 10 years with first right of refusal if you decide to renew. Be sure you understand this section and what you are getting—most of us have learned just how fast 10 years can fly by. Know what your position will be at the end of your initial investment.

ITEM 18: PUBLIC FIGURES

Contains: This section only pertains to a tiny portion of franchise investors.

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

Contains: Item 19 can be an especially valuable section of the FDD—if the franchisor includes any information for you to review there. Disclosure of facts and figures in this section is voluntary, and so in many FDDs all you’ll find under Item 19 is a note declining to disclose.

What to Look For: Don’t dismiss a franchisor for not providing this information in the FDD—more than half of them don’t do so. However, if you do receive a detailed Item 19 section, consider it an opportunity to grasp the most elusive financial information in franchising. Franchisors have some freedom to choose which information is presented here—like averages or top performers or the

numbers from a sample of 5 units—but they do have to present only facts and explain where the information comes from. We love to see an Item 19 on an FDD—it offers a window into financial information you’ll otherwise only have access to if you’re able to talk a franchisee into sharing it.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Contains: Tables outlining the number of franchises, number of franchise transfers, and number of anticipated new franchises in a 3-year period. List of current and former franchisees.

What to Look For: This section should show a trend of stability or steady growth. Obviously, you don’t want to see a chart indicating a large numbers of transfers or closures. The list of franchisees is gold. You will use it to reach out to a cross-section of franchisees in the next investigation step. They are your best source of good information about the viability of your investment.

ITEM 21: FINANCIAL STATEMENTS

Contains: Audited financial statements from the franchisor (not from franchisees).

What to Look For: One thing any candidate wants to see in a franchisor is financial stability. Is this company healthy and does it have cash to invest or use to ride out stormy times? Another key element to identify in Item 21 is how the franchisor makes money. Occasionally a franchisor gets along by bootstrapping, sustaining itself on franchise fees rather than royalties coming in from successful franchisees. This business model will inevitably fall apart in the long run—don’t want to be a part of that. Look for solid financials driven by royalties and fees coming in from franchisees.

ITEMS 22 AND 23: CONTRACTS AND RECEIPTS

Contains: Franchisee contracts for your review and receipt acknowledging you have been given the Franchise Disclosure Document.

What to Look For: For now, these items are just formalities. Save them for your records and possible future review.

NOTEWORTHY: 5 WAYS FRANCHISORS MAKE LIFE EASY FOR THE TECHNICALLY CHALLENGED

One of the great advantages of franchising is that it allows investors to focus on growing a business rather than devoting all their energy to simply running it. One of the best ways great franchisors accomplish this is by building all the technology that makes their systems work efficiently and effectively directly into the launch process for each new unit. Those strong technology platforms eliminate countless headaches for technologically-challenged business owners and help streamline operations for both the short and long term.

HERE ARE 5 AREAS OF TECH STRENGTH TO LOOK FOR IN POTENTIAL FRANCHISORS:

1. Marketing and Social Media Plans. Great franchisors offer ready-made plans for reaching potential customers via traditional and next-generation media. These systems are often the result of small fortunes invested and years of trial-and-error while the franchisor was finding its ideal image—a lot of R&D you won't have to do and sweat and tears you won't have to lose. Many of today's franchisors include advantageous technologies like apps and customer relationship management (CRM) tools. There's no way to overestimate how

time-consuming and costly these can become for independent business owners to acquire, but they're typically included in the cost of franchise investment.

2. Payroll Made Easy. Many would-be entrepreneurs rightly worry about how they'll manage routine employer responsibilities like payroll and payroll taxes. This is an area where many franchisors have you covered, providing automated, comprehensive online payroll services and training about how to use them. Most of these programs have the added benefit of staying abreast of current tax laws so you don't have to figure each year's changes out on your own.

3. Inventory, Ordering, and Delivery Made Easy. There was a time when owning a business that provided almost any service or product meant hours of housekeeping chores to keep track of what the business had, what it needed, and how to balance out shortages and overages. The technology available to today's franchisee can all but eliminate this time-consuming drudgery. Franchisor-provided automated software can keep track of inventory, regulate supply flow, flag problem areas, and generate and pay invoices. Some of these programs can even "learn" to predict future needs. This tech advantage is of particular benefit for any food service franchise, as those are businesses that notoriously lose a small percent of potential profits because of product waste.

4. Inexpensive, Effective Training. Every great franchisor has a great training protocol, and for most, those protocols involve both in-person and online training elements. Many franchisors provide easy—and cost-effective—access to a library of online training protocols and tools for both the franchisee and his or her employees.

5. Web Presence. The single most valuable tech perk most franchisors provide is an established brand and, in most cases, a sophisticated web presence to accompany it. Having a strong internet platform gives your investment its most likely point of access for new customers, and it projects just the image you want your business to have to a whole world of potential

customers and clients. A great website vastly improves both the visibility and reach of any business. If you don't know a thing about web design, investing in a franchise that comes part-and-parcel with a substantial Web presence is a tremendous advantage.

Whether you're considering starting your own business or thinking of investing in a franchise, technology is a significant concern. This is an area where franchisors offer a clear advantage to those among us who are intimidated by the logistics of the tech world.

STEP 6



GET UP CLOSE & PERSONAL – FRANCHISEE EVALUATION

There's no better way to get the feedback you need to make an informed decision than by getting in the trenches and talking with those who have gone before you. Talking to franchisees, you get the opportunity to ask the good, the bad, and the ugly questions—and usually to get direct answers.

Each franchise company has its own process for these validation calls, but the franchisor is not a part of these conversations. Some franchise companies provide a list of franchisees that are happy to share information with you, and these will be good validators of whatever the franchisor has told you already. Other franchise companies have franchisees who are so inundated with calls from prospective investors there's no way that they can get back to everybody. In those circumstances, franchise companies will sometimes do group validation calls, where multiple potential investors question franchisees together on a group call. This is an efficient way to provide information, but it doesn't allow you to ask the kinds of more probing questions about the individual's experience that might really enlighten you.

Rather than be satisfied with either of these processes alone, make your own efforts. Every FDD includes a list of franchisees, and you can take the initiative to contact them for validation calls. It's up to them whether they return your call, but if you are polite and persistent, you should be able to get valuable responses.

When making validation calls, it's a good idea to go for a mix of people who've been in the system for varying lengths of time: one year, five years, ten years; as well as people who've had varying degrees of success. Tapping a representative cross section of franchisees is important—you want as complete and honest an understanding of the franchisor as you can get.

How do you make the most of this opportunity? First, remember that the franchisee has no obligation to speak with you or to share private information. Most franchisees do this as a courtesy because someone else did it for them. Since the franchisees are in essence volunteers sharing their time and experience, be considerate and appreciative of their time.

Start your call with an easy ice-breaker to make a connection and show your interest. Most people respond well when you ask how they came to own a particular franchise—and their answers are often very informative for a potential owner.

Next, move on to questions that carry more weight, about topics like these:

- **Corporate training:** What is it? How is it? What are its shortcomings?
- **Site selection:** Did the franchisor assist with it? Were you happy with the process?
- **Marketing support:** What are some highlights? Shortcomings? Is your money well spent?
- **Staffing:** How do you feel about the franchisor's guidance? What about the on-boarding process?
- **Technology:** How do the franchisor's tech systems make life easier for you?
- **General support:** When you need something, is the franchisor there for you?

Once you've covered these non-intrusive topics and any others you'd like to pursue, go ahead and ask the questions the franchisee knows are coming. These are the questions about revenues, profit margins, time to breakeven—all the money questions your mother told you to never ask. Be polite and clear about what you want to know. Remember that the franchisee was likely on your end of many of these calls not so long ago, and he or she knows you need this information to make a good decision.

Be sure to thank the franchisees for their time and the information they share with you. Also, at the end of the call, ask for permission to circle back if you have any more questions.

Not everyone will answer every question, but in our experience, these calls are the key to really seeing behind the curtain and into how the franchise system is working for people like you.

NOTEWORTHY: FRANCHISING IN THE WHITE SPACES—WHY OPPORTUNITY KEEPS KNOCKING

One question franchise consultants hear a lot is, With franchising growing so quickly and for so long, aren't most of the great opportunities already taken?

The simple answer to this question is No. Great prospects for savvy, motivated franchise investors abound. The fact is, even as some areas of franchising seem to be reaching capacity, others are cropping up every day, offering new products or services in new ways to new markets. Many investors and entrepreneurs talk about their never-ending quests to discover the white space in their markets. They're looking for areas that are underserved or overlooked to develop. Franchising continues to grow and thrive because creative and strategic franchisors are still finding and filling conceptual and geographic white space nearly every day.

The discovery of conceptual white space in franchising is a fascinating process. Maybe it's just a testament to the entrepreneurial spirit; maybe it's because of the number of industries that need to be served; or maybe it's the nature of the business model that one great concept spawns the next, and another after that. Whatever the reason, industry experts are constantly witnessing an evolutionary chain of ideas that build on one another. As an example, consider the continuing expansion of fitness industry franchises. This market started with big fitness clubs that served a broad market, then began catering to unique demographics with concepts focused on older women, weight lifters, busy moms, and other underrepresented consumer groups. In recent years, this trend toward specialization has given rise to a whole new tier of boutique fitness franchises that offer their own takes on in-demand workouts like yoga and Pilates. It's possible to trace this kind of development in almost every industry franchising touches—and there's no end to it in sight.

Geographical white space still exists from coast to coast as well. While some markets may be saturated with a great product, other regions are wide open

for development. Many top-notch franchisors are keenly aware of these white spaces and eager to fill the gaps by partnering with capable, committed franchisees.

Looking ahead, franchising continues to shine as a bright spot in the American economy. Those white spaces are still out there, just waiting to be explored and developed.



STEP 7

ATTEND A DISCOVERY DAY

Visiting a franchise headquarters can be a great way to get a feel for whether the company is a fit for you. Some companies don't do this kind of thing, but instead may send a senior member of the franchise team to visit you. Some even conduct online discovery days. In our experience, though, a discover day is a valuable opportunity to gather that last intel you need to make an informed choice, so if the company you're looking at offers the experience, we recommend it wholeheartedly.

Everybody does discovery a little bit differently, but regardless of how you spend your visit, you will learn a lot about how the company operates and how it treats its franchisees. If you have a spouse or a business partner, try to attend this event together. It's a critical step—usually the very last before you either sign on the dotted line or decide to take a pass. Consider it your final inspection—you're there not to research so much as to confirm.

So how will you spend your discovery day? Every program varies, but these are some of the ways your time can be best used:

Get to Know the Leadership. In almost every case, discovery day is your opportunity to get to know the franchise's leadership team. You'll get to shake their hands and look them in the eyes. You'll be asking yourself, "Is this a person I can trust to invest my dollars? To lead this business to further success?" You should be able to feel confident about both. -

Meet the People Who Get Things Done. Discovery day is an opportunity to meet the franchise's support team. This may include the person who's going to help you find real estate; the person who will teach you how to use the company's technology; the person who decides how to spend your pooled marketing dollars; even the person who answers the phone when you dial headquarters. Your interactions with them should reassure you about the franchisor's efficiency and responsiveness.

See the Operation in Action. If you go to discovery for a food or retail franchise, you may well visit a working unit—perhaps one run by the corporate office. If you're looking at a gym or a spa facility, you may get to try out the services. Chances are good that whatever operation you visit will be an exemplary performer—an example of the potential of your own investment.

When you leave a discovery day, if you haven't made a decision, you should at least have a clear sense of the character of the franchise company.

One important note: During this kind of visit, franchisors are doing an investigation of their own. As you interact with them, they will weigh your

strengths and weaknesses alongside those of other potential franchisees. Some franchise openings are quite competitive, and many franchisors are not afraid to turn away potential buyers who don't seem like a good fit for their image. Remember throughout the process that you aren't shopping for an investment—you're looking for a win/win relationship—and that's what the franchisor is looking for, too.



STEP 8

MAKE A DECISION

You've done the research, investigated your options, spoken with franchisees, been immersed in the corporate culture. Now it's time to make a move—yeah or nay. Your best bet is to rely on both your hard work doing due diligence and your instincts.

It's all-too common for investors to freeze up at this critical juncture. Here's how you can work through your fears with reason and confidence.

OWN YOUR INVESTIGATION

The fact is, the more you know about any potential career change or investment, the better prepared you are to move forward or walk away without allowing anxiety or fear to play a role. By the time you get to this step, you've read about franchise investments, spoken with knowledgeable consultants, thoroughly investigated your prospects, met the faces of the franchisor. You know what you're dealing with, so let go of any worries that are based on your fear of the unknown.

REMEMBER HOW YOU GOT HERE

You have a track record of success. You wouldn't be willing to make the leap to owning a business and working independently if you hadn't already proven yourself capable of taking on tough tasks and seeing them through. Take time to remember your previous accomplishments and how you achieved them. Then refocus on a future of continued, hard-earned success.

KEEP MOVING FORWARD

Nothing feeds fear quite like spending too much time stewing in your own thoughts and giving free rein to worries. When you feel anxiety creeping in, take action. Research, make notes, talk with an expert, work on a tentative business plan. Do something rather than doing nothing and letting your fears grow to giant proportions in your mind.

SAY "NO" TO NEGATIVITY

Our lives are full of people who give us advice, support, feedback and input—whether we want them to or not. As you consider the possibility of

franchising—of taking an entirely different path from the traditional corporate career track—there will be those in your orbit who don't understand why, and even those who openly oppose your step toward career independence. We encourage you to listen to and consider all advice from advisors you trust, but don't let anyone make your decisions for you or steer you away from your carefully-considered inclinations. Choosing to become an entrepreneur is a big, potentially life-changing decision, and it can be a difficult one for people who prefer the status quo to understand. Please don't let anyone else's negative or pessimistic outlook color your own judgment or choices.

EYES ON THE PRIZE

Staying focused on your goals may be the best antidote of all to fear and anxiety. Why do you want to HIRE YOURSELF? How do you want your life to differ in 5, 10, or 15 years from the way it is right now? What do you envision your professional life will be like after you make the transition from working for someone else to working for yourself and your own family? When your fears start creeping in, stop everything and refocus on your why, your vision for the future, and the steps you intend to take to get from here to there.

CONCLUSION

ARE YOU READY?

Are you ready to HIRE YOURSELF? At some point, it's time to move past the tire-kicking stage and on to the real business of making it happen.

NOT SURE? ASK YOURSELF THESE 5 QUESTIONS:

- 1. Do you have the capital?** Typically, the minimum liquid capital threshold for franchise investment is \$50,000 to \$100,000 for a service-based business, or \$75,000 to \$100,000 for a facility-based business. In addition, you'll need to have a good credit history and positive net worth to be able to secure financing for the non-cash portion of your investment.
- 2. Do you have the capacity?** Have you got proven leadership skills? A high level of business acumen? An internal drive to succeed? Are you capable of putting together a business plan?
- 3. Do you have the character?** Do you have the work ethic required to see that business plan through? Are you enthusiastic, committed, and able to face the inevitable ethical challenges of running a business with integrity?
- 4. Are you ready to work cooperatively?** Are you capable of working within the framework of the franchisor's proven business systems? Are you committed to being a partner in your franchised business rather than a lone player?
- 5. Are you committed to customer satisfaction?** Are you willing to go the extra mile to make sure word of mouth about your business is great? Do you have a passion to provide a superior product or service?

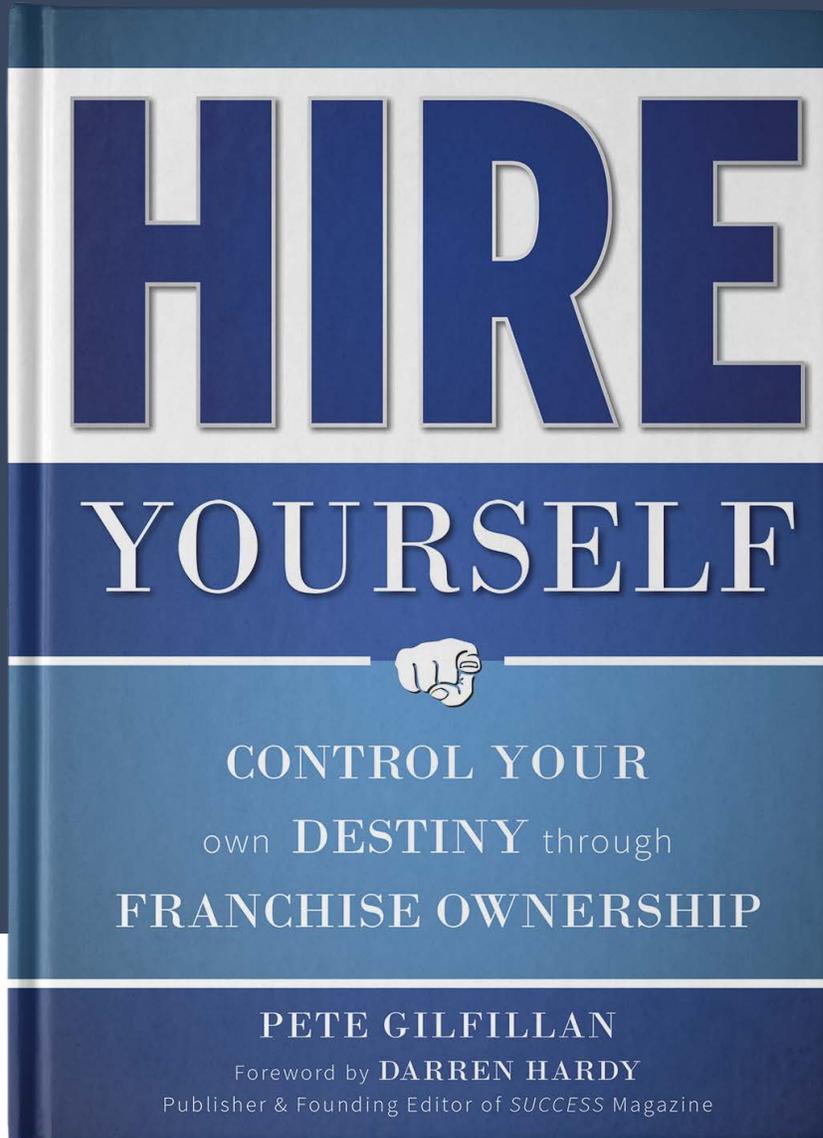
If you answered YES to these questions, it sounds like you're ready. If you're hesitant about your next steps or just want someone to guide you on your way, you'd likely benefit from talking with an experienced franchising consultant about your options.

[SCHEDULE A CALL HERE](#)

WHY WORK WITH THE HIRE YOURSELF TEAM? 3 REASONS

1. First of all, we've been in your shoes. We've been on the outside of this process, weighing the possibilities and risks of investing in franchises with our own hard-earned capital. We've been through all the steps in this guide, and what's more, we both turned our franchising investments into life-changing successes that have continued to open doors. We've walked this path. We'd be honored to help show you the way.
2. Second, each of us has spent the past several years working as a dedicated franchise consultant, speaking with potential candidates every single day. Between us, we have helped thousands of prospective entrepreneurs like you figure out if franchising is for them and started many of them down the road to career and income independence.
3. Third, we love what we do, and it shows in our commitment to our candidates. Our greatest satisfaction is making a perfect match between a smart, competent candidate dreaming of entrepreneurship and a high-performing franchisor looking for an ideal business partner. We are dedicated to this process because we are able to get results, help people pursue their dreams, and work on our own terms. The upshot of that is that if we believe franchising isn't for you—or isn't for you right now—we'll tell you. We're here to educate, enlighten, and guide potential franchise investors, and that honest commitment shows in our results.

SCHEDULE A CALL HERE



If you'd like to read a more in-depth analysis of franchising, [order a copy](#) of Pete's full-length book: [**HIRE YOURSELF: Control Your Own Destiny Through Franchise Ownership.**](#)

HIRE YOURSELF



After two decades of suffering through corporate America, Pete Gilfillan decided to reset his life by leaving his job and becoming a franchise investor. He quickly experienced such dramatic improvements in his personal and professional life that Pete knew he had to help others make the same positive leap. Thus, the HIRE YOURSELF movement was born.



After working construction for nearly a decade, “getting paid to do, not to think”, Nat Truitt finally found the courage to break out of that rut by investing in a franchise that helped homebound seniors. Nat built that first investment into a million dollar senior care business, and in the process, discovered that his biggest passion is supporting others in achieving their dreams through franchises.