

# Frequently Asked Questions



## What does FranNet do?

FranNet is a large franchise network of local, franchise experts. Your FranNet consultant will help you navigate through a multitude of franchise opportunities. FranNet provides guidance, information and support to individuals who are interested in purchasing a franchised business. FranNet consultants specialize in helping their clients find the right franchise through their exclusive matchmaking process.

## How will FranNet help me?

Our consultation process will save you time and money in support of your search and provide you with fact based information in response to personal goals and preferences. Most people do not understand the range of available franchising choices and tend to make decisions without sufficient knowledge. Your FranNet consultant can:

- Help you understand the pros and cons of owning your own business.
- Recommend franchise opportunities based on your lifestyle and business goals.
- Save you money by educating you on anticipated costs, franchise fees, financing options and training.

## What is the consultation process?

Your FranNet consultant will have several conversations with you and have you complete a Personal Franchise Assessment questionnaire which is an effective tool to find out what franchise models you match. This information is used to narrowing the available franchise opportunities to a list well-suited to you and your skills and goals. Your consultant will develop a unique business model for your use in evaluating franchise business opportunities and recommend several. Your FranNet consultant will make the search process easier by supporting you what may seem like an overwhelming process. There are over 3,100 franchise opportunities available and we can help you find the right one for you.

## What is the cost of your services?

Our services are FREE for you. FranNet has pre-screened hundreds of available franchises in determining a select few that represent successful and dynamic opportunities for our clients. There is no-cost for our services. We act just like a recruiter. The franchisors pay our placement fees. We work as a recruiter for the franchisors to find them people that will be successful franchisees. FranNet's process of matching individual talents with franchisors ensures a high success rate. In the interest of success for all parties, we will pair the right individual with the franchisor most suited to them and their goals.

## Why use a FranNet Consultant?

For most people, starting a business is a once in a lifetime event. It is essential to utilize available resources effectively and "get it right" the first time. FranNet uses an established process that helps match a person's talents and goals with the right franchise which ensures a much higher success rate. We act as your strategic advisor throughout the process to be certain you are making a selection based on facts and not speculation. Our goal is to educate our clients about the many different businesses without having to go it alone. Our services are free so there is no need to make the decision alone!

## What kind of franchises do you represent?

FranNet represents a wide range of franchises as diverse as the individuals who want to pursue business ownership. Franchising has many possibilities and is not just about retail stores or french fries. Potential franchise owners are sometimes surprised to learn that franchises are available in such unexpected industries as management consulting, tutoring, senior care and pet care. In fact, there are several service based and business-to-business franchises that are extremely successful. FranNet has pre-screened all represented companies and built relationships with only the best franchisors so you can select from the best opportunities.

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## How do I pay for a franchise?

Many financing options are available today such as cash, loans, IRA's, 401(k)'s, CD's, stocks and using equity. The cash needed to finance a franchise purchase varies depending on the type of liquid capital, the individual and the franchise being purchased. You will typically need \$40,000 – \$60,000 ready to invest with the ability to finance the rest. To receive financing it is best to have a credit score of 700 or better. Franchises are available at many investments levels. Your FranNet consultant will recommend franchises based on your investment level and recommend sources for financing.

## What are some of the benefits of franchise ownership?

There are a number of aspects to the franchising method that appeal to prospective business owners such as:

- Easy access to an established product.
- A proven method of operating a business.
- Training, support and advertising.
- Reduced risk of opening a business.

In fact, statistics from the U.S. Small Business Administration and the U.S. Department of Commerce show a significantly lower failure rate for franchised businesses than for other business start-ups. The franchisee purchases not only a trademark, but also the experience and expertise of the franchisor's organization. However, a franchise does not ensure easy success. If you are not prepared for the total commitment of time, energy and financial resources that any business requires, you should stop and reconsider your decision to enter the franchise business.

## What factors should I consider when selecting a franchise?

Like any other investment, purchasing a franchise is a risk. When selecting a franchise, you should carefully consider a number of factors, such as the demand for the products or services, likely competition, the franchisor's background, and the level of support you will receive.

### Demand

Is there a demand for the franchisor's products or services in your community? Is the demand seasonal? For example, lawn and garden care or swimming pool maintenance may be profitable only in the spring or summer. Is there likely to be a continuing demand for the products or services in the future? Is the demand likely to be temporary, such as selling a fad food item? Does the product or service generate repeat business?

### Competition

What is the level of competition, nationally and in your community? How many franchise- and company owned outlets does the franchisor have in your area? How many competing companies sell the same or similar products or services? Are these competing companies well established, with wide name recognition in your community? Do they offer the same goods and services at the same or lower price?

### Franchisor's Experience

Many franchisors operate well-established companies with years of experience both in selling goods or services and in managing a franchise system. Some franchisors started by operating their own business. There is no guarantee, however, that a successful entrepreneur can successfully manage a franchise system.

Carefully consider how long the franchisor has managed a franchise system. Do you feel comfortable with the franchisor's expertise? If franchisors have little experience in managing a chain of franchises, their promises of guidance, training and other support may be unreliable.

### Growth

A growing franchise system increases the franchisor's name recognition and may enable you to attract customers. Growth alone does not ensure successful franchisees; a company that grows too quickly may not be able to support its franchisees with all the promised support services. Make sure the franchisor has sufficient financial assets and staff to support the franchisees.

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## What is the disclosure document?

The Federal Trade Commission (FTC) requires sellers of franchises and other business opportunity ventures to provide prospective investors with the information they need to make an informed investment decision. It also requires that all earnings claims be documented, that the information investors receive be complete and accurate, and that investors have adequate time to consider and evaluate the disclosures before making any final purchase commitment. All required information is given to prospective investors in the form of a franchise disclosure document, which must be furnished at least 14 business days before any purchase may occur. This document includes 20 important items of information, such as...

- Names, addresses and telephone numbers of other franchisees.
- A fully audited financial statement of the seller.
- The cost required to start and maintain the business.
- The responsibilities you and the seller will share once you buy a franchise.
- Litigation involving the company or its officers, if any.
- Again, use your professional support to examine all of these issues. Some of the contract terms may be negotiable. Find out before you sign; otherwise, it will be too late.

## How can I evaluate my potential to become a successful franchisee?

Perhaps your most important step in evaluating a franchise opportunity is examining your own skills, abilities and experience. The ideal franchisee is a creative, outgoing person who is eager to succeed, but not so independent that he or she resents other people's advice. You must be able to balance your entrepreneurial initiative with a willingness to comply with the business formulas used by the franchisor. Remember, a successful partnership between franchisee and franchisor involves a mutual understanding of each other's values and achievements.

Determine exactly what you want out of life and what you are willing to sacrifice to achieve your goals. Be honest, rigorous and specific. Ask yourself: Am I qualified for this field...

- Physically?
- By experience?
- By education?
- By learning capacity?
- Financially?

Ask yourself how this decision will affect your family. Do they understand the risks and sacrifices required, and will they support your efforts? Beginning a franchise is a major decision that does not ensure easy success. However, an informed commitment of time, energy and money by you and your family can lead to an exciting and profitable venture.

## Are there additional sources of information?

Before you invest in a franchise system, you should investigate the franchisor thoroughly. In addition to reading the company's disclosure document and speaking with current and former franchisees, you should speak with the following:

**Accountant:** An accountant can help you understand the company's financial statements, and assess any earnings projections and the assumptions upon which they are based.

**Lawyer:** Franchise contracts are usually long and complex. A lawyer will help you understand your obligations under the contract, so you will not be surprised later. Choose a lawyer who is experienced in franchise matters.

**Banks and Other Financial Institutions:** These organizations may provide an unbiased view of the franchise opportunity you are considering. Your banker should be able to get a Dun and Bradstreet report or similar reports on the franchisor.

For more information, visit [www.frannet.com](http://www.frannet.com)