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Choices, Choices – How to Choose the Right Franchise for You

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PAFI Press

December 2011

The stats say there are approximately 3500 franchised brands in the United States alone.¹ So, how are you supposed to decide which franchised business is right for you? Clearly, a passion for the business is important as you are going to be spending a lot of time eating those sandwiches or drinking that coffee. Industry experience is a plus, but one of the advantages of purchasing a franchise rather than starting your own business is the extensive training and support that an established franchise system can offer. But, beyond that, what should a potential purchaser of a franchise review and what considerations are important?

Talking to people and reading the materials provided to you by the franchisor are a good place to start. As for the people, go to the programs presented by the franchisors about their systems (often called Discovery Days) and don't be afraid to attend these programs for multiple systems. Go to franchise expos or fairs – there are many available to you. Talk to other franchisees in the system, including both those recommended by the franchisor and those listed in the Franchise Disclosure Document (FDD) provided by the franchisor. Also, talk to your advisers – financial advisers, attorneys, accountants or others at the Professional Athletes Franchise Initiative – for advice and counsel. Attend educational programs about franchising. Take the time to educate yourself!

Next is the, perhaps more mundane, review of the FDD. Though this document may look painfully detailed and boring, it provides a wealth of information that can guide your decision. Do not cast it aside! The Federal Trade Commission has issued detailed regulations that franchisors

must follow in creating the FDD. These regulations are carefully designed to protect a potential franchisee by mandating that the franchisor provide a full range of information necessary for the potential franchisee to determine whether to buy into that franchise system. It can serve as your playbook for choosing and planning the entrance into your new business.

So, what important information does the FDD contain? It tells you:

- The history and general description of the franchisor (Items 1 and 11);
- The experience of the people running the franchise system (Item 2);
- Whether there is any litigation or bankruptcies connected to the franchise system or its principals (Items 3 and 4);
- Costs to open and fees to operate the franchised business (Items 5, 6 and 7);
- Whether the franchisor mandates certain suppliers and if the franchisor makes money off of those arrangements (Item 8);
- Whether the franchisor provides financing (Item 10);
- Whether the territory is exclusive (Item 12); and
- The financial condition of the franchisor (statements included as an exhibit) and sometimes, financial information about the performance of current franchisees (Item 19).

And there is much more. I encourage you to read the FDD carefully and have it reviewed by your accountant (the financial information) and an experienced franchise attorney (the franchise agreement is included in the FDD as an exhibit). These advisers can assess the strength of the system, help you understand your legal rights and perhaps negotiate certain provisions of the franchise agreement in your favor.

In closing, I wish you luck in your choice. Work with your associates at PAFI, the International Franchise Association and other industry resources. They should provide an excellent support network for the start of your next career.