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TEN QUESTIONS YOU SHOULD ASK BEFORE BUYING A FRANCHISE

Before you buy any franchise, it's important to do “due diligence” and make sure there are no surprises before you sign on the dotted line. After thoroughly reading the franchise's Uniform Franchise Offering Circular (UFOC), meeting with a number of current franchisees and viewing their operations at close hand, here are some important questions to ask the franchise before you sign up:

1. *What Will Your Territory Be?* Can the franchise put another franchisee in a location that's uncomfortably close to yours? Are you allowed to advertise your location outside of your “assigned” territory (and, vice versa, can other franchisees advertise in your territory)?
2. *Does the Franchise Plan to Offer Its Products and Services Directly to Consumers?* Does the franchise plan to sell directly to consumers via the Internet or a toll-free telephone number? If they do, how will the franchisees benefit from the direct sales operation?
3. *Are You Limited to Just One Location?* If the franchise concept works, is it possible for you to “build an empire” and open several locations in adjacent territories? Will the franchise grant you a “right of first refusal” before they open locations in territories next to yours?
4. *Are the Deadlines for Opening Your First Location Reasonable?* Is the franchise giving you enough time to find a site, negotiate a lease, and complete your “buildout”?
5. *If You Can't Find A Suitable Location Within a Reasonable Time, What Happens?* Sometimes you just can't find a suitable location even though you've been knocking yourself out looking for one. Will the franchise be reasonable in that situation, and let you out? Will the franchise refund a portion of your upfront franchise fee?
6. *What Are the Projected Costs of Opening Your First Location?* If it isn't already in the UFOC, ask the franchise to provide you with an itemized estimate of all costs you can be expected to incur before you have your “grand opening”. Be sure to factor in “hidden” costs such as insurance premiums, lease security deposits and real estate brokers' fees, and be sure to get quotes from several sources before you commit to the franchise.
7. *What is the Franchise's Commitment to Advertising Within Your Territory?* If you are one of the only franchisees in your area, how much of the franchise's advertising fund will be dedicated to your territory?
8. *What Happens If the Franchise Merges With Another Franchise?* Will they allow you to keep operating under the old format? Will they give you a reasonable amount of time to convert over to a new format? What if the other franchise has a location right across the street from yours?
9. *What Happens If You Are Sued Because the Franchise Violates Local Law?* Generally, you are responsible for making sure your franchised business complies with local laws. But if you're following the franchise manual to the letter, and somebody sues you because of something outside of your control (for example, the franchise's name violates a local trademark, or the franchise's exclusive arrangement with a supplier violates state “unfair trade practices” laws), will the franchise stand behind you and pay your legal bills?
10. *What Happens If the Franchise Is Not Renewed at the End of the Term?* No franchise is forever; the average term is 10 to 15 years. Do you have the absolute right to renew as long as you've done a good job? If either you or the franchise decides not to renew, do you get paid something for all your time and trouble in building the business? Can you continue in business under another name?