



MasterCard Working™
FOR SMALL BUSINESS

Susan-Says®:

Think before you buy a franchise.

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During the last 40 years, franchising has become a popular business expansion method. Currently, there are 1,500 franchise companies operating in the United States with 320,000 retail outlets, according to the International Franchise Association. There is almost no product or service that can't be purchased through a franchise operation today.

The popularity of franchising can be explained in part by the upward trend in business ownership. As corporate America downsized, thousands of workers looked to purchase a franchise as a means of getting into business rather than starting from scratch. Because a franchise program typically gives you a blue print for building a business, the risk of failure is reduced, as compared with business start-ups which fail about 50 percent of the time.

When you purchase a franchise, you benefit from the experience and expertise of the franchisor. The franchisor has a vested interest in your success. As a result, most offer training and assistance with business set-up, the hiring of employees, personnel training, site selection and lease. Most franchisors provide standardized operating systems along with a financial and accounting program. Additionally, franchisees profit from national advertising and collective buying power. If initial capital is a problem, many franchisors offer some type of initial financing packages.

Before you purchase a franchise, keep in mind, not all franchises are created equally. It's imperative you do your homework and ask the right questions. For your protection the FTC requires franchisors to supply a full disclosure of the information a prospective franchisee needs in order to make a educated decision about whether or not to invest. This is called the Uniform Franchise Offering Circular. It includes such things as the franchisor's business background, the financial history of the franchise, termination and renewal statistics, product purchase requirements and training programs offered. You must receive this document at the time of the first personal contact where the sale

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of a franchise is discussed and at least 10 business days prior to the signing of any contract or the payment of any monies. This is referred to as a “cooling off” period.

Don’t make any quick decisions. Take time to review this information carefully. Make sure you clearly understand exactly what investment is required and what kind of additional fees might be involved.

Evaluate the strength of the franchisor by talking with other franchisees. The franchisor is required to provide you with their contact information. Ask existing franchisees detailed questions and compare their responses with the information provided by the franchisor.

Take time to consult with a franchise attorney and CPA. These professionals can help you decipher the legal information and financial statements provided in the disclosure document.

Finally, keep in mind buying a franchise is not for everyone. When you buy a franchise you are your own boss only to a point. A successful franchisor must maintain control over franchisee operations to ensure uniformity and quality control. For some people, the thought of giving up even a little control is out of the questions. So if you have a strong entrepreneurial spirit, then becoming a franchisee probably isn’t your best bet.

More information on franchise opportunities is offered through the International Franchise Association (IFA) for a minimal

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