



What to consider before buying a franchise

Starting your own business by buying a franchise could be a great option, but to be successful at it, you need to know what you're getting into and whether it is the right option for you.

Our checklist outlines what you need to consider when becoming a franchisee.

Financial	
	Have you, your spouse and knowledgeable family members discussed the idea of going into business for yourselves?
	Are you in complete agreement?
	Do you have the financial resources required to buy a franchise or small business? If not, where are you going to get the capital?
	Are you and your spouse ready to make the necessary sacrifices in the way of money and time in order to operate a franchise or small business?



	Will the possible loss of company benefits, including retirement plans, be outweighed by the potential monetary and self-pride rewards that would come from owning your own business?
	Have you made a thorough written balance sheet of your assets and liabilities, as well as liquid cash resources?
	Will your savings provide you with a cushion for at least one year after you have paid for the franchise or small business, allowing a one-year period to break even?
	Do you have additional sources of financing, including friends or relatives who might be able to loan you money should your initial financing prove inadequate?
	Do you realise that most new businesses, including franchises, generally don't break even for at least one year after opening?
	If partnering with one or more people, will either you or your spouse remain employed at your current occupation while the franchise or small business is in its initial, pre-profit stage?
Personal	
	Are you and your spouse physically able to handle the emotional and physical strain involved in operating a franchise or small business, caused by long hours and tedious administrative chores?
	Will your family members, particularly small children, suffer from your absence for several years while you build up your business?
	Are you prepared to give up some independence of action in exchange for the advantages the franchise offers you?



	Have you really examined the type of franchise or business you desire and truthfully concluded that you would enjoy running it for several years or until retirement?
	Have you and your spouse had recent medical check-ups?
	Is the present state of your health and that of your spouse good?
	Do you and your spouse enjoy working together and/or with others?
	Do you have the ability and experience to work smoothly and profitably with your franchisor, your employees and your customers?
	Have you asked your friends and relatives for their candid opinions as to your emotional, mental and physical suitability to running your own business?
	Do you have a capable, willing heir to take over the business if you become disabled?
	If the franchise or new business is not near your present home, do you realise that it would not be beneficial to sell your home and buy one closer until the new venture is successful?
Business	
	Do you and your spouse have experience in business that will qualify you for the particular type of franchise or business you desire?
	Is it possible for either you or your spouse to become employed in the type of business you seek to buy before making any purchase?



	Have you conducted independent research on the industry you are contemplating entering?
	If you've made your choice of franchises, have you researched the background and experience of your prospective franchisor?
	Have you determined whether the product or service you propose to sell has a market in your prospective territory at the prices you will have to charge?
	What will the market for your product or service be like five years from now?
	What competition, both franchised and non-franchised, exists in your prospective territory?
Other considerations	
	Do you know an experienced, business-orientated franchise attorney who can evaluate the franchise contract you are considering?
	Do you know an experienced business accountant?
	Have you prepared a business plan for the franchise or business of your choice?