

FRANCHISEE MISTAKES TO AVOID

The 5 biggest mistakes potential franchisees make when evaluating a franchise are:

1. **Not reading all of the documents governing the relationship.** All franchise agreements (and all franchisors) are not created equal. Buying a franchise is a complicated investment and a life changing decision—make sure you know exactly what you are getting into. **READ ALL THE DOCUMENTS CAREFULLY!** The fact that you did not read or understand certain provisions of the agreements will not stop them from being enforced against you.
2. **Assuming that the terms are non-negotiable.** While it is true that some of the larger national franchisors will not negotiate their documents, **THERE ARE MANY FRANCHISORS THAT WILL NEGOTIATE.** Also, even the big guys may negotiate things such as territory restrictions and options for additional locations. Regardless of whether the documents are negotiable, you are still investing a lot of money to enter into the franchise relationship, not to mention the opportunity costs of foregoing other opportunities. You should read all of the documents very carefully and involve a qualified attorney and/or accountant to assist you.
3. **Not calling other franchisees listed in the documents.** A franchisor is required to list the name and contact information of all current franchisees and franchisees who have recently left the system. **OTHER FRANCHISEES (AND FORMER FRANCHISEES) ARE YOUR BEST SOURCE OF INFORMATION ABOUT THE FRANCHISE AND THE FRANCHISOR! CALL THESE PEOPLE!** In almost all cases they will be happy to help you and answer your questions, including the financial ones.
4. **Not getting the franchisor's promises in writing.** The Franchise Agreement will almost always have a clause known as an "integration clause." This clause essentially says, "anything we told you or any promises we made that do not appear in this agreement don't count." **MAKE SURE TO GET ANY PROMISES IN WRITING.** If you don't, it is unlikely you will be able to hold the franchisor to those promises.
5. **Assuming that "it's all standard stuff."** We are always amazed at the number of franchisees who just sign what they are given without question or review. Although it is called the Uniform Franchise Offering Circular, all that means is that they all discuss the same 23 specific items of information. While all franchisors are required by law to provide those certain disclosures, they are largely free to draft their documents and govern their relationships however they choose. You are not guaranteed a good or fair deal.