



Validation Questions to ask Franchise Owners

The purpose of talking with existing franchise owners is for you to draw as much information from them as possible regarding understanding every cost they incur, corporate relations and support, training, challenges, benefits, a day in the life, etc.

Please keep in mind that some of these questions may not apply to the concept you are investigating. Also, these business owners are participating as a courtesy to you and are often very busy. Please let me know any questions that are not answered to your satisfaction so that I can help you get those answers. It may also be useful for you to question people that are in a similar type of demographic or territory as you are considering.

Remember, validation is a part of the investigation process that offers a wonderful opportunity for you to get a feel for the culture, competence and owner perception of the franchise company. It is also a chance for the franchise company to consider how their owners perceive you as a potential franchisee - so allow these conversations to reflect you, at your very best!

Background and Opinions:

- What type of work did you do before you got into your own business?
- Why did you leave that to go into your own business?
- When did you open your business?
- Why did you choose this franchise?
- Who are the major competitors?
- What is the company's biggest competitive advantage/disadvantage?

Initial Training & Opening Support:

- Did your initial training prepare you for opening your business?

·Is the operations manual clear, up-to-date and adequate?

•During your first year in business, did the franchise company support your business activities and results to the level of your expectations or need? Can you give an example?

•What do you think is the biggest mistake that a first year franchise owner can make?

•What would cause a franchisee to fail?

Ongoing Support:

•Has the franchise company supported your business activities and results to the level of your expectations or need? Can you give an example?

•After initial training, what additional training exists? Is it regularly scheduled, at random, as needed, or a combination? What additional training have you undergone? What differences has that made?

•Is there enough/too much training? Is the franchise company flexible in giving more training to franchise owners who need/want it?

•Does the franchise company host franchisee annual meetings or teleconference calls? (This can often be a great source for information, training and networking with other franchisees)

Marketing Programs:

•How does the franchisor contribute to your marketing efforts? What are the results of those marketing efforts?

•What programs for lead generation has the franchise company introduced you to? Do you use those tactics? What are the results and costs of those tactics? Do you consider them worthwhile? What have you added locally to generate business?

•Do you have any strong competitors in your area? If so, who? What do you think are your major competitive advantages that set you apart?

Purchasing Power:

•Must you purchase from the franchisor, or may you purchase locally?

•Are you allowed to purchase items from vendors outside the franchise company? Do you consider that good or bad? What makes you say that?

- Does the franchisor use the collective buying power of the entire franchise to obtain discounts on supplies and/or inventory beyond what the individual franchisees could achieve? Can you give an example?

Franchisor / Franchise owner Relations:

- Is the franchise company supportive and caring about you and your operations? What makes you say that?

- Is the home office competent? Do they act with your interests in mind? Why do you say that? (The answer will tell you this owner's perception as to whether or not everyone at HQ is on the same page, and performing as a team, in the franchise owners' best interests).

- Have any franchisees had disputes with the franchisor? If so, what was their nature? Were they resolved fairly?

- Do you know of any disputes with competitors?

Investment and Owners Role:

- How did you determine the location/territory you have?

- How much investment did it take you to get your business up and running? Did that include some working capital? How much working capital did you budget? How long a period was that intended for?

- Currently, what is your hourly commitment to your business per week? Has the amount of time you work changed since the first few months you were open?

- Is your role in the business what you wanted/expected it to be? If not, how is it different?

Earnings:

- What were your expectations for annual revenue? How long did it take you to realize those expectations?

- Were your opening costs consistent with the original projections?

- How long were you in business before you reached breakeven?

- What was your annual net profit, as a number or percentage of sales last year? (If open for several years, was that fairly consistent with prior years? If not, greater, less?)

- What has the greatest effect on your annual net profit?
- What will you do differently in your business this year? Why have you decided that?
- What separates higher performers from lower performers in your franchise system? Why do you say that?
- Are you willing to share a profit and loss statement with me? If not, can you provide me with a template of your profit and loss statement so that I can see an itemized list of every cost I will incur?
- What are your annual sales?
- What % can I expect to bring to the bottom line? Does that include a manager's salary?
- What is your daily, weekly, and annual breakeven?

Conclusion:

- If you had it to do over, would you decide to get into this business again? Why/why not?