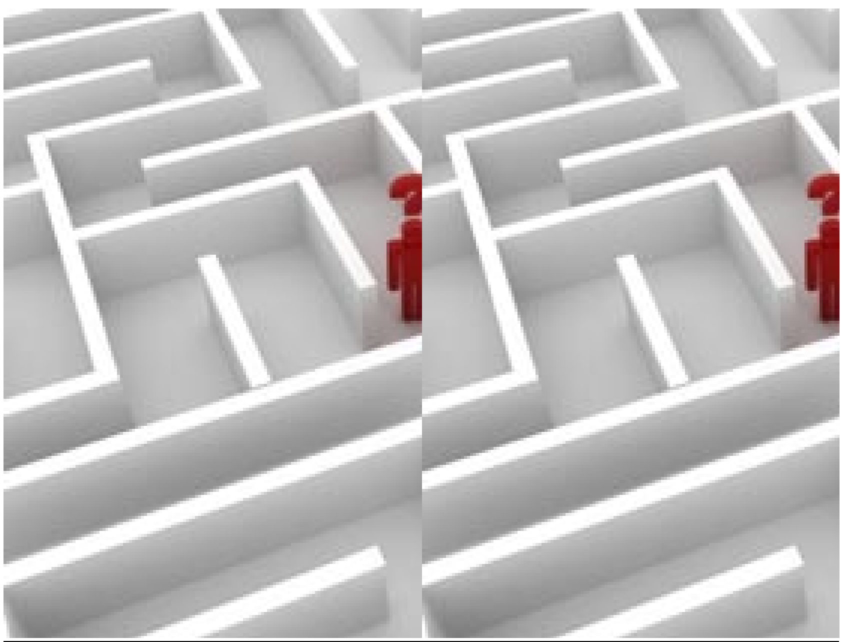
HOW NOT TO EVALUATE A FRANCHISE

Are you wishing you could find "a short cut" in helping you evaluate franchises?
Are you seeking assurances that you don't "reinvent the wheel?"
Just how do you avoid making mistakes?



Read on.

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At *The YOU Network*, we take your desire to find the right franchise for you seriously. Our whole approach is designed to help YOU learn about YOU – and then learn about how YOU might best perform in various franchises. Hm-m-m, are you seeing a pattern here? Yes, it's about YOU.

We're not sure how many times it makes sense to remind potential buyers that the evaluation process is really about them. But just because it's "about them" doesn't meant that they are always in the "power seat" through the process.

Frankly, it's easy to be confused on this matter. In the United States, we are all trained and seasoned to believe that "the customer is always right." That the buying process is all about YOU the buyer deciding if the product or service is something they need or want – and the owner should bend over backwards to them if they want to make a "sale."

If you're serious about considering a franchise, the absolute first thing you need to know is that **<u>the process of buying a franchise is more akin to interviewing for a job – not buying a television</u>.** No one – including YOU – can purchase a franchise, just because they have the money. The better franchises are awarded for purchase, not "sold" – so the process of getting to that decision point is probably like nothing you have ever experienced before.

Your consultant has probably shared with you our "franchise evaluation process" – but we believe that sometimes the best way to learn *how and why it is different* than other buying processes is to understand how NOT to evaluate a franchise.

So let's get started.

WHAT NOT TO DO Rule #1

Be arrogant or controlling when speaking with a franchisor representative.

We deal with some pretty "high powered" individuals every day – individuals who have been very successful in their work lives and are accustomed to a certain level of "power" in their day-to-day dealings with others. We also deal with folks that would consider themselves more "regular," who are simply seeking the independence and freedom that franchising might offer them. Interestingly, both groups have been known to come off like "bulls in china shops" when first meeting their franchisor representatives – despite the pleadings of their consultants. They strive to "take control" of the meetings; they want their questions answered right away without listening first; or they just want to "get to the performance numbers" and ignore all else.

These people are systematically **rejected** by the franchise companies. And we, as consultants, are left saying *"What part about 'not being arrogant' was I not clear on?"*

Imagine going to a job interview and acting this way. Would you get the job? Of course not. So don't for even two seconds assume that because you are BUYING a franchise that you have the right to lead the conversations in this manner. Franchises are "awarded for purchase," not sold.

When you are speaking with a franchisor representative you are developing a relationship. From the first phone call on – you are learning to "put your best foot forward" and to demonstrate your skills and capabilities, while also learning about the franchise company. There's nothing wrong with asking questions (in fact we encourage it), but you must learn to "spoon feed" the questions without "poking the representative in the eye" in the process. Your consultant will coach you in this, if you have any questions – but going in with a "think job interview" perspective is good general guidance.

Another thing you need to be aware of is that franchisors are seeking "team players" – not independent cowboys. They want the assurance you will "follow their system" and not be difficult to work with. They want you to succeed – and they have seen too many people stray from their system and fail. So they are going to try to "weed out the strays from the herd" right off the bat.

Remember, they have invested a great deal of time and money and aren't particularly seeking your advice on how they should be doing things. Once you have followed their system and proven yourself, you earn the right to start influencing potential changes or adaptations to their system.

So, if they ask you to fill out more forms about yourself after you filled out a whole bunch for us – fill out the forms. If they ask you to sit through a presentation that covers information you already saw on their website, bite your tongue and pay attention. Be more worried if they do NOT ask you to do certain things – that would mean they aren't as thorough as you would want your franchisor to be.

WHAT NOT TO DO Rule #2

Be sure to focus upon talking to owners who have failed – so you can learn what might go "wrong."

There is nothing wrong with speaking with system owner failures – as long as they are not the *only* people you speak with! Failures happen for a whole lot of reason. An owner becomes ill and can't focus on their business. They have family pressures. A spouse is transferred and they have to sell or walk away, as they can no longer stay in the market in which they own the franchise. They change their mind (yes, people pay good money for franchises and simply walk away! Hard to believe, but it happens.) And some simply aren't equipped to "do the job" and therefore, fail.

The point is -- if this is your attitude going into the process, you're going about it from the wrong perspective. You need to enter it thinking, "how might I learn what is GOOD about this franchise? – while also learning about potential issues you may face. EVERY franchise has some issues – and yes, some failures. Even the biggest, most successful franchises have failures. Fact is, there is a human element to the success of any franchise – YOU have to make it happen. There are no guarantees. So your goal at this stage needs to be whether or not you have the "right stuff" to make a particular franchise work for you.

WHAT NOT TO DO Rule #3

Assume that the federal government has reviewed and approved each franchise on the market.

We're going to say this once and LOUDLY. The government does not get involved in the review or evaluation of ANY franchise opportunity. Did you hear that?

The federal government DOES require that every franchise file annually what is known as a *Franchise Disclosure Document*, or FDD. This document is the "franchise industry equivalent of a prospectus" – but much simpler to understand and read. The content of this is universal to every franchisor, meaning they all have to provide the same information. The purpose of the FDD is to protect YOU, the investor. It is universal in content, so as to make it easier for you to compare one franchise to another. And its outline covers those areas most relevant to your purchase of that franchise. If you were not shown an FDD in your evaluation of a franchise, you would not want to do business with that particular franchise. It would mean they are trying to hide something from you.

You should also know that there are "lower cost" offerings in the business market known as "business opportunities." These "opportunities" do not have to comply with the strict rules of franchising – and as a result, can often represent far more risk to you as an investor. They might be perfectly fine businesses, but if you experience issues of any sort with your seller, you have little recourse "after the fact" – as you would with a franchise.

The industry is also somewhat (but not entirely) shielded by the International Franchise Association (IFA). Members of the IFA represent honest, legitimate franchised businesses (see www.franchise.org). Before becoming members of the IFA, a franchise has to be able to demonstrate a level of legitimate opportunity, franchisee support, and success. That being said, "things sometimes change" after membership is granted – and it can be difficult for the IFA to continue their policing of each franchise member – unless the company's questionable actions become quite obvious. Similarly there are perfectly legitimate franchise companies that are not members of the IFA . It simply pays to do your homework.

The world of franchising offers no "guarantee" to new owners – because no one can perfectly predict how YOU the owner is going to act once you enter a business. This is why you go through this evaluation process. While all good franchises work hard to get to know you, YOU are ultimately responsible for making sure that the franchise you choose is a vehicle in which your particular skills and abilities can shine.

WHAT NOT TO DO Rule #4

Avoid using franchise consultants.

Obviously, we're a bit biased here. We truly believe that using a trained, experienced franchise consultant is the only way to go about the process of finding a quality franchise. Unfortunately we acknowledge that: "not all franchise consultants are created equal." Among the segment of individuals who claim to be "your franchise consultant" there are:

- people with absolutely no franchising (or managerial business) experience at all
- people who simply use gimmicky and unscientific software programs or surveys to "match" you to franchises – then leave you on your own to conduct a proper evaluation
- people whose intent is to sell you specific franchises their company owns, rather than guiding you to franchises that fit your needs and skills
- people who will guide you to whatever franchise offers them the highest commission

It's no wonder that the media often prints reports that suggest you "use caution" in using franchise consultants. For those of us in this industry segment who are offering legitimate services to potential franchise buyers, we would like nothing better than to eliminate these so-called "franchise consultants" from the market – or at least require they call themselves something else. They are not professionals – and shouldn't claim to be as such.

A good consultant has "been in your shoes." They understand the frustration you are feeling in your career – and quite frankly, the fear you have in making any change from your current path. They will help you dig deep into your inner soul to determine what kind of franchise would be best for you. They can help you envision what ownership might be like – what you might like about it, and, similarly, dislike about it. They will teach you how to prepare for your meetings with franchisors and "put your best foot forward" while learning what's relevant. They are the epitome of "straight talk" – **if they don't think they have a franchise that is right for you, they will tell you**.

If you have any questions about the experience and capabilities of *The YOU Network*, discuss them with your consultant NOW – before you go any further in this process. This company works hard at "raising the bar" in terms of standards. We're the seasoned pros (minimum of 15+ years per consultant), the "grey hairs," the folks with REAL experience – and we work hard to gain your trust. We provide a FAR more comprehensive service to you – way beyond those of our competitors. And it costs you NOTHING. In our model, franchisors pay us -- not you -- for saving them time in finding the most qualified potential buyers.

WHAT NOT TO DO Rule #5

Shorten the evaluation process.

If we had a nickel for every time a buyer says, *"I know what I want, and I want to be in business by next month – so let's just cut through this and get it done."*

You may have real needs to get started quickly – this can be understandable – but we strongly suggest that you **do not circumvent any part of the evaluation process.** If you need to move quickly, ask your consultant to accelerate the process timing – but do not "skip" any of the process steps.

There are very strong and solid reasons for this point-of-view:

- Right now, you *think* you know what you want. We will tell you that 9 out of 10 times, potential buyers CHANGE THEIR MINDS about which franchises they want – after they learn more about possible franchise choices. Don't make an emotional, unquantified decision.

- Every step of the process is designed to help you gain a slightly different perspective about the franchise company – or YOU. If you shorten the process, you LOSE that 360 degree perspective gained from experiencing it in total. For example, some people think they can "skip" going to Discovery Day – and they forego a critical step that allows them to truly "bond" (or "not bond") with their franchisor "team." EVERY step is meaningful – or we wouldn't have it in the process.

- You will find there are franchisors on the market that will go right along with your wishes to "shorten the process." You will simply not find those particular franchisors in our client portfolio – because they also know the price that is paid if you make a decision in too great a rush. That being said, don't drag your feet, either. Everyone will have an expectation that you begin and end the process in 4-12 weeks. If you don't think you can complete your evaluations in that time frame, we would suggest delaying when you enter the process.

- You will be giving potential franchisors the impression that you are undisciplined, and impatient. Again, they aren't looking for people who can't play by their rules. There are incidents where candidates had premature discussions with owners in a system they were investigating – before the "permission" of the franchise representative – and, as a result, were not awarded a franchise opportunity. They will love your energy – just keep it moving in the right direction.

WHAT NOT TO DO Rule #6

Let your anxiety or fears get in the way of your desires for self-ownership.

If you finish an entire evaluation process and decide that "franchising isn't for you" – that's fine. We simply want you to truly understand WHY you made that decision.

Every day, we see people enter this process – *all excited with the prospect of owning their own franchise business*. Many of them have had visions of owning their own business since they were children. Then, they are at a get-together with family and friends, and a favorite uncle says to you, *"you're considering a franchise? My best friend owned a (blank) franchise and lost his shirt."*

Suddenly you're scared to death. Your fear begins to immobilize you. You start viewing the objective of the process as being *"how can I be sure I don't get fooled?"* instead of *"how might I find the best franchise that is right for me?"*

What has happened is that you have let one statement from an uninformed source "harpoon" your confidence in yourself. Instead of dimensionalizing and defining your fears – you've let them take control of you.

Your consultant may never know what happened to you – if you do call them, you end up saying something like, *"now just isn't the right time for me," or "I don't think I have the money" – or the BIG one: "my wife isn't comfortable with this."*

All we can say is "don't let this happen to you." If you hear of something that raises your concerns, discuss these issues with your consultant. The majority of the time – these kinds of fears aren't real, but imagined. Your consultant can help you better understand how to get a grip on your fears – or perhaps even help you realize that they are not going to go away, and that perhaps franchising isn't for you.

One thing to keep in mind: throughout most of the evaluation process, NO ONE is "selling you anything." A "sale" occurs ONLY when both you and your franchisor have decided it's the right choice for you. So until you "fill out the check" so to say, you are simply "getting information." Don't thwart your learning process by pulling away too early – before you have learned what you need to learn.

If you follow this advice, regardless of your eventual conclusions, you at least know WHY you made the decision you did, and you won't be plagued for years to come that you never "saw through your potential."

WHAT NOT TO DO Rule #7

Assume that all of your prior business experience will ALWAYS directly translate to franchising.

Franchising is a different form of business than most people are familiar with. In its simplest form, it is a form of distribution – meaning, a company can choose to fund distribution of their business model by franchising. So, potential buyers can form opinions that are incorrect – unless they are careful and ask lots of questions.

Here's an example:

John Smith is reading a franchise company's FDD and notices that the company lost money last year. This concerns him, obviously. He wonders if he should continue to pursue this particular franchise. Then, John learns from his consultant that this was a "planned loss" due to re-investment in POS software development for all of the franchisees. And that the company put a "hold" new franchise sales until this software was developed and implemented. As the company's greatest income is from sales of franchises, and there were no sales that year, this reflected the loss.

When John continued with his validation calls, he discovered the majority of franchisees he spoke with had, in fact, experienced sales increases that year. He then realized he had jumped to a conclusion.

During the evaluation process, there will always be something that appears different or wrong to you. What's important is that you document your question, and share it with both your consultant and your franchisor representative. Then, ask the same questions when you are doing validation calls with owners. If you find that most everyone seems to answer your question the same way – you will learn what you need to learn.

WHAT NOT TO DO Rule #8

View the evaluation process as drudgery.

If you're not having fun in your evaluation process – we're going to tell you right now, you are either viewing it with the wrong attitude, or you are never going to be able to "pull the trigger" and buy a franchise.

That might sound a bit harsh, but it's been our experience that success in franchising requires a lot more "glass is full" attitudes than it does "glass is half empty" ones. Your attitude is contagious – and if we *or our franchisor clients* feel like you're just "going through the ropes," we'll probably tell you it's time for us to part company and end the process.

On the other hand, if you're truly finding the process to be difficult or tedious – one of two things is going on. Either you're wearing only your "due diligence" hat – during which you're trying to find something wrong with everything you look at instead of what's right (this is VERY stressful) -OR- you're having problems adapting to the idea of ownership (and need special counseling.) Either way, we ask that you share your feelings with your consultant. We want the process to be exciting for you – or we will not waste your time.

WHAT NOT TO DO Rule #9

Don't bother with taking notes – because you have a "photographic memory" you will remember all you hear.

As silly as this seems, this happens with far greater frequency than any consultant would prefer. Typically we suggest – at the beginning of the evaluation process – that you buy a spiral notebook and take notes EVERY STEP OF THE WAY. At the end of your evaluation you need to have:

- Completed the requested forms for information about you
- Read the company brochures, materials, the Franchise Disclosure Document
- Discussed your concerns and questions with the franchise representative and your consultant (and other mentors of your choosing)
- Researched the market for the product or services within your area
- Completed your conversations (validation calls) with other franchise owners
- Attended a Discovery Day at the franchisor's home office
- Determined the specific steps next for a mutual decision on your part and on the part of the franchisor
- Obtained necessary information required for financing and registering your company, should you decide to purchase a franchise

You should keep thorough notes of your thoughts and questions at every step – and the answers you obtained when you raised questions. You will find that keep your evaluation organized in this fashion will go a long way in helping you make your decisions at the end of the process.

WHAT NOT TO DO Rule #10

Don't include your spouse in the process – he or she will go along with whatever you decide.

We can say, unequivocally, that this NEVER happens. What occurs instead is that the spouse, having been completely left out of the process, either sabotages your decision (because they are afraid, and lack all of the facts you have accumulated) or they want to start at the beginning, and duplicate everything you have already done – so that they might develop their own opinions.

If your spouse doesn't work, they will likely carry with them a FAR higher degree of uncertainty about this process than you. YOU are their "security blanket" and they aren't particularly thrilled with your thinking about "shaking up the status quo." Plus, your family and friends are generally looking out for you – to ensure you aren't hurt. One of the ways they might want you to stay on this course is to avoid all risk. YOU have to remind them that starting ANY business involves some level of risk. But that this process is designed for you to make any such risk a calculated one.