

Evaluate a Franchisor's Services

Will franchise support turn out to be part of the sales pitch or real help?

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Question: I've just spent a day with a franchise company I'm interested in, speaking with representatives from several departments within the company. Each person told me how much support I would receive from them if I were to become a franchisee and how they would help me operate my business. It all sounded pretty good, but I'm wondering how I can verify that they'll actually do what they promise and that this isn't just part of a sales pitch.

Answer: Franchisors want to put their best foot forward when talking with a prospective franchisee. They know you're evaluating them as much as they're evaluating you, so you're wise to investigate.

There are several ways to evaluate a franchise's support program:

--Check Item 11—Franchisor's Obligations—of the Uniform Franchise Offering Circular. This item lists the support the franchisor is contractually promising to provide to franchisees. Keep in mind that what's listed in the UFOC is the *minimum* amount of support they promise to provide.

For example, if the UFOC states you will receive new advertising materials for local advertising annually, but the franchise's advertising representative told you they're sending new materials twice a year or even quarterly, there may not be a disconnect. They may be doing more than they promised. Still, you should dig a little deeper in your research to be certain.

Also verify that the services you heard about in your meetings, particularly the services you considered most important, are included as franchisor obligations in the franchise agreement. Determine whether the level of support during your start-up phase—including site development and training for you, your management team and staff—is adequate.

--Ask about the credentials of the support staff. Are they professionals with experience in their field (i.e., advertising) *and* in the franchisor's industry? How long have they been with the franchisor? What is the franchisor's turnover on support staff? How does the franchisor train their support staff? Franchisors with experienced professionals on staff are probably committed to supporting their franchisees.

A great deal of your regular support will come from the franchisor's field staff. If you didn't get the opportunity to meet the field person assigned to your area, set up a time to

do so as soon as possible. Does your field person have experience in operating and managing the business, including multiunit operations? What level of authority does he have? How often will he visit you, and how does he generally help franchisees during these visits? How many franchised locations is he responsible for? Ask the other franchisees he works with about his level of commitment and the usefulness of his advice.

--If possible, visit several of the businesses and observe how they're run. Common problems may signal a larger issue. For example, lack of interior signage or poor merchandising may indicate the marketing department isn't providing adequate support. Dirty stores or restaurants may indicate a lazy or overloaded field staff. Poor customer service may be the result of poor training.

If the franchisor allows it, work in one of the locations for a few weeks to take a "test drive" of the system. There's no better way to understand whether the franchisor's services meet the franchisees' needs than observing the system from the inside.

--Ask current and former franchisees whether the franchisor has provided the level of support they promised. Be specific and go through each area in which you expect support—training, marketing, advertising, new product development, operations, etc. Ask about the quality of support—are the field staff's solutions practical and affordable? Is the support staff accessible and responsive if they have an unexpected or unusual problem or request? How quickly does headquarters get back to them with an answer to a question?

--Ask the other franchisees [MICHAEL: WHO? THE FRANCHISEES OR THE FRANCHISORS?] about results. How effective was the last advertising campaign in raising sales? How effective and efficient is the training program for the franchisees' staff? Does the franchisor have an active R&D program that keeps its consumer offering fresh and competitive? If the franchisor provides franchisees with product, do they provide quality merchandise and supplies? Are the prices they charge the franchisees fair, and do they have a solid history of having key items in stock?

Try to determine where the franchisor is placing their emphasis and investing their resources. While you may consider it exciting to join a system that's expanding rapidly domestically and internationally, you have to focus on whether they're investing in the day-to-day support of franchisees.

Don't rely on a franchisor's outside sales broker or even an inside salesperson as your only source of information about the franchise's services. Get your answers directly from the people providing the support you are counting on.

By doing your homework, you can access not only the quantity, but also the quality of support you'll receive from the franchisor. Ask any questions you have *before* you sign the franchise agreement.