



**F**RANCHISE **F**UTURES

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## *Qualifying for a Franchise*

Have you ever bought anything over the internet – perhaps, for instance, a pair of pants? It's a fairly painless process: point, click, wear. And even if you order the wrong size, exchanging the pants for a pair that fits better is usually easy to do. As long as you are able to pay for the pants, the merchant is happy to sell you any style, color and quantity. But what if internet merchants required you to qualify before allowing you to complete the purchase? What if they wanted to make sure you could really afford to buy the pants? That you would keep the pants clean and pressed? That you would only wear them with tasteful, color-coordinated outfits? Having to qualify might be enough to motivate you to drive to the store to buy the pants instead or discourage you from buying them at all.

Entrepreneurs also “shop” for business opportunities on the internet, where information on over 6,500 franchises can be found. And much like buying pants, finding the right fit with a business should be an important objective. But that's where the similarity ends. And problems arise when entrepreneurs fail to acknowledge the differences.

One common problem: entrepreneurs sometimes see themselves as the buyer and the franchise as the seller. Be clear about one thing: you are not “buying” a business any more than a franchise is selling one. Franchises are not looking for customers or employees. They seek good business partners with whom they can achieve a long term and prosperous relationships. Thus, franchises are never sold; they are awarded. In order to be awarded a franchise, a candidate must qualify – personally and financially.

In fact, the process is – or should be – far more involved than qualifying for a home mortgage, where the company is only concerned about your credit history and financial

ability to make payments. A mortgage company doesn't care if your working style is collaborative, if you are good at managing people, or if you are a team player. But a reputable franchise definitely does care about these characteristics. So much so, in fact, that a candidate who is only financially well-qualified is usually not accepted as a new franchisee.

To illustrate this, we recently worked with a client who was extremely well qualified from a financial standpoint. His liquid capital and net worth far exceeded the minimum requirements of the franchises in which he was interested. However, he underestimated the importance of non-monetary factors, believing that "flashing a wad of cash" would easily qualify him for whatever business he chose. He thought he was buying a pair of pants. However, none of the franchises we represent viewed him as a good prospect.

Rest assured that franchises do not insist that you have specific industry experience. In fact, more often than not, franchisees choose businesses that reflect their interests – not necessarily their professional backgrounds. And the very nature of franchises – a proven system with excellent training and ongoing support – makes this possible. What franchises do look for are candidates with (1) an entrepreneurial passion (2) confidence in their own abilities (3) a collaborative working style (4) and skills that are transferable to successfully operate the business.

So, assuming you enter the dialogue with the right frame of mind, what should you expect in return? Well, most franchises recognize that they also need to earn your trust. As they qualify you, they understand your desire to qualify them. Thus, if you are genuinely interested, they will open their books to you, be extremely forthright and honest in sharing minute details of their operation, and will put you directly in touch with existing franchisees.

In fact, the franchise industry is highly regulated in this regard and is mandated by the federal government to provide full disclosure. This is made through their Franchise Disclosure Document (FDD), a document every franchise is required to make available to serious candidates. The FDD contains all the critical details you need to fully evaluate the business opportunity and the company that stands behind it.

So overall, this process is a two-way street – where both parties evaluate each other openly and honestly. And while franchises aren't looking for employees, this process is very similar to a job interview, where the job applicant and company concurrently evaluate each other's qualifications. The applicant hopes to be awarded the job; the company hopes to earn the applicant's skills and talents.

To ensure a constructive and beneficial dialogue, here are a few things to keep in mind: Understand that this is a business relationship – not a purchase. Enter the process in good faith, willing to fully disclose while expecting full disclosure in return. Assume that if you see a franchise as a good business opportunity, others probably have as well. Thus, the company is probably talking to many other candidates. Never hesitate to talk with the franchise directly. It is absolutely the best and only way to get all your questions answered. Don't assume that the company views the discussion as a sign that you are ready to move forward. They understand that they are likely one of many opportunities you are investigating (just as you are one of many candidates they are considering). Be wary of franchises that focus solely on your financial qualifications. Always request the FDD and review its contents in detail.

In summary, "fitting" into a business is far more important than into a pair of pants. And the qualification process is designed to ensure the best fit.