

YOUR STEP-BY-STEP GUIDE TO SELF-ASSESSMENT AND TO FINDING,  
EVALUATING AND OPENING YOUR FRANCHISE BUSINESS

— BE —  
THE CEO  
— OF —  
YOUR LIFE



JOHN ANDERSON

# **Be the CEO of Your Life**

*Your step-by-step guide to self-assessment and to finding,  
evaluating and opening your franchise business*

By John Anderson, Certified Franchise Consultant

*“He believes in an honest, upfront, straightforward approach...  
Enjoy John's book if you are looking for a franchise or just want  
to get educated.” - from the foreword by Eric Lofholm,  
bestselling author of *The System**

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**Foreword by Eric Lofholm**

**Disclaimer:** This book is intended to provide information only, and should not be construed as franchise purchase or business advice. No income claims are stated or implied. How you put this information to use is up to you.

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## **Dedication**

This book is dedicated to my wife Melanie who patiently supports me writing and working with clients at all hours; to our amazing kids Nicholas, Kiersten and Austin who changed our lives November 9<sup>th</sup>, 1998; to Mom & Dad who set me up with great examples to follow; and to every one of you who had or has a dream to be their own boss.

## Foreword

I have known John Anderson since 2001. I met him while he was a loan officer prior to moving to Oklahoma. As you are reading this you may be where he was at that point in your life. He was looking to do a career transition. Of all the opportunities John looked at, he determined his best option was to purchase a franchise. So off John and his wife and 3 kids went to Oklahoma to start their first franchise. The franchise opportunity turned out to be the perfect solution. John and his wife still own that franchise. He works there 10 to 15 hours per week making sure everything is running smoothly. He has a full time manager in place now so the business requires very little of his attention.

In 2016 with John's kids close to going to college and the franchise running smoothly he looked for a new challenge. He decided to go into franchise consulting. He felt this was the perfect next step in his career. Me knowing John for as long as I have, I agree this is a perfect opportunity for him. John has the unique perspective of owning his own successful franchise as well as having a background in providing service for clients as a loan officer. John is able to work with his clients and share from the perspective of being in the shoes of his perspective clients because he was looking for his own franchise 10 years ago. John's approach is to listen to his future clients and treat them the way he wanted to be treated when he was looking for a franchise. He believes in an honest, upfront, straightforward approach that his clients love. Enjoy John's book if you are looking for a franchise or just want to get educated on how the process works. Let John know and he will take care of you. When I meet someone who is looking for a franchise I send them to John.

Eric Lofholm, April 2017  
President, Eric Lofholm International  
<http://www.ericlofholm.com/>

# Be the CEO of Your Life

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## Step 1 – The First Step

Congratulations on taking the first step! The ancient founder of philosophical Taoism is reported to have said, “The journey of 1000 miles begins with a single step.” Why is the first step so difficult? I believe it is the fear of the unknown. By definition the first step implies there are more and the “more” implies work and a whole lot of “what if’s”.

Most people tell me they always wanted to own their own business. They covet the lifestyle and the freedom that most business owners have. They know that they do not have anything close to that lifestyle working 50 hours a week for someone else. It has nagged at them as they have been tied to a job working under someone else’s terms. Lots of these folks are well into their 50’s and on to a 2<sup>nd</sup>, 3<sup>rd</sup> or even 4<sup>th</sup> career and realizing it is now or never. However, more and more frequently we are



also seeing entrepreneurial spirits in their 20’s and 30’s ready to explore franchising.

Business ownership is not for everyone but the idea certainly is. And you owe it to yourself to find out. Do not be the one who hits retirement and always “wished” they’d looked into it. Invest a little time now and figure out if you have what it takes to be a successful franchise owner. The idea is not to force yourself into being a business owner. Using the steps I lay out in this book, and using self-assessment, reflection and research, let’s determine if you COULD be a successful business owner. And if so, what business or franchise is the best fit. If not, you can at least rest easy knowing that you did the homework and determined that the risk was not for you. You will not be THAT person who always had to wonder if they could have been successful in franchising.

Completion of any worthy goal begins with the first step. Until you take that step and create momentum towards completion, it remains just an idea. The dream of starting a business may have been with you for many years. Perhaps you recently got the itch after another long day working for someone else or worse, getting “downsized.” Sometimes it starts when someone walks into a store or drives by a franchise restaurant or business. They think, “These guys are killing it. I should open one of these.” Or, they think to themselves our town needs one of those. Maybe the thought is, “this is so fun...I want to open one.”

Generally, however, those thoughts are outgrowths of an internal frustration. They have grown tired of working for someone else and making them or their shareholders money. More importantly they have likely grown tired of being at someone else’s beck and call. They might have lost their job and get sick at the idea of yet another job. Maybe they are happy but their spouse wants something new.

There are many motivations for that dream but for most, it is one that has been in the back of their mind for many years. They just don't know where to start or what is truly possible.

I wrote this book to tell you that it is possible for you. Regardless of your

***"A goal is just a dream with a deadline" – Napoleon Hill***

circumstances, you can own your own business. I am a huge believer in small business and franchising. I have seen people achieve amazing things

opening their own business. In this book, I show you a 21-step plan on how to make your dream a reality. Napoleon Hill, well known self help author and speaker once said, "A goal is just a dream with a deadline." We are here to help you with a roadmap and a timeline to get you on your way to living your dreams!

Some of those steps will happen in different order for you or the franchise you are working with. Some may happen simultaneously. And some may be a simple call or webinar while other steps take weeks to work through. You also may need to reset the calendar a few times. Many people start the process with more than one franchise before finding the right fit. And for some, the timeline may be a lot longer. If you have no savings, investments or equity, the initial focus may be on developing a plan to save or acquire capital. But as I wrote in the first edition of this book (Originally titled "21 Days to Starting Your own Business") for a few of you, capable and dedicated, you'll get it done in less than 21 days!

Think of the following pages as a step-by-step guide to move you forward with the 21 steps as mile markers on your marathon. The goal of each stage is to simply gain enough confidence to move to the next step. STOP AND HIGHLIGHT THIS SENTENCE:

THE GOAL OF EACH STEP IS TO GAIN ENOUGH INFORMATION AND ENOUGH CONFIDENCE TO MOVE TO THE NEXT STEP. No more. No less. Some steps may take you more than others and occasionally you may complete multiple steps in one day. But what you cannot do is figure out if you found the right franchise after just a few steps...so don't try.

You will also see our 21-step plan does not get into minutia. We show you a process with coaching and directing you where to find the details rather than trying to provide them. I cannot tell you, or worse, try to sell you, on a franchise. What I can do is show you how to find good franchises and manage the process to see if you feel they are a fit. Everyone is different and I treat you as such.

Many books already exist to educate you on franchise law, lingo and academic analysis. Research and education has it's place but I am a doer. Let's do this, not think about it. I'll leave that to the academics. I will not go through a list of definitions on franchise lingo, which entity format is for you or business/franchise details that are easily researched online or require help from professional accountants or attorneys. We will break down important parts and give you questions to ask but for the most part this 21 step guide is about moving through the process, understanding your needs as you go, directing you to find the answers you need and using that coaching to most effectively to end up with an amazing franchise company. The goal is to be in

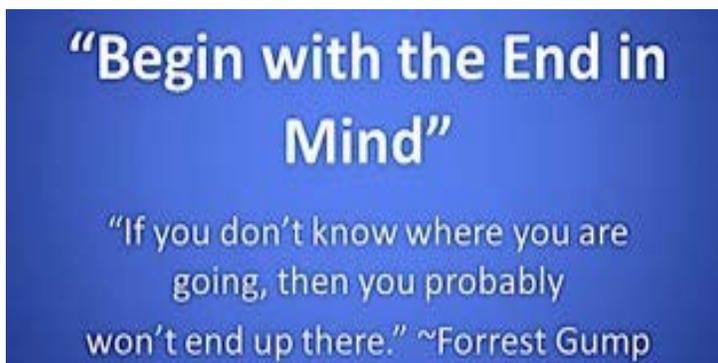
business for yourself doing something you love that gives you the best chance to be successful.

We have one final issue for Step 1. Congratulations, you've gotten off the couch and taken your first step towards reaching your goal of being in business for yourself! We don't want to slow your momentum, but we do want to make sure you a doer, ready to do what it takes to be successful. The following is borrowed from franchise author Dr. John Hayes because he spells it out well. Following the true spirit of franchising, there is no point in reinventing the wheel, right? Repeat after me:

"I understand that ultimately I am responsible for my success, or failure, as a franchisee. There are good and bad franchise opportunities or concepts. Some franchise opportunities may work for others and not me. Ultimately, if I'm qualified (financially, emotionally, personality-wise) to be a franchisee, then I need to do the homework to find the franchise opportunity that will work for me. I am responsible for selecting my franchise of choice (that is, the franchise I intend to buy). I'm also responsible for selecting any advisors who may assist me when I purchase a franchise."

## Step 2 – Begin with the End in Mind

Some coaches will recommend that step 1 should be about you and focusing on whether or not you have what it takes to be a franchise owner. Do you have the background, skills, wherewithal and determination to be successful? I am here to tell you that this entire 21-step process is about evaluating that. Not just step 1. We will



not simply evaluate franchises and the opportunity they represent. No, during this process you are constantly measuring what it will take from you, your spouse, partners and family to be successful. In many cases there will be sacrifice required by some or all involved. Many people go

through this 21-step process and ultimately sign a franchise agreement or even an area agreement for multiple units of a franchise.

On the flip side, many go through the process only to determine for themselves that franchising is not for them. That is ok! The goal of the process is not to force a round peg into a square hole. What we want to do is help you be yourself and find a situation where you are most likely to be happy and to succeed. For many, that means going on with a job or job search, not opening a business. I want to align round pegs with round holes and help you find the best situation for you.

The process of researching franchises and determining your business opportunity is new to most of you and can be quite overwhelming. As we discussed in step 1, people come to franchising with many motivations. Some aspire at young age to build a business of their own. Others get tired of working for others, or even get laid off, before deciding they want to be their own boss and that now is the time. Whatever your motivation, the best advice I can give you is to begin this process with the end in mind. If you don't read any further but you take that to heart, you increase your odds significantly of ending up in a great franchise for you.

What exactly does "Begin with the end in mind" mean? Everyone will apply it a little differently. You will come up with your own definition. I will lead off though telling you what it means to me and why it is so important. Many clients come to me via a misguided belief that they want to own a McDonalds, Subway, Jimmy Johns or (insert your name brand here). Once in a while, that belief actually matches up with their goals, needs and values. But the brand is not the "end" I am referring to.

The "End" is about YOU! Not a franchise brand. I believe the idea of beginning with the end in mind needs to be high level. You need to have an idea of what your daily life and your finances look like at "the end." My suggestion is to visualize yourself operating your own business and write down what you see. What does your

day look like? Are you in your store? Are you working from home? Are you free to leave your business to coach soccer, be homeroom mom, play golf during the day, take vacations or visit grandkids? How much money are you making? Do you have a lot of employees? Does a manager manage your business or are you the active manager? Do you have multiple locations? How big of a territory do you cover? Are you having fun?

Figure out what the business and your role look like. Don't assign any brands or any job title. It doesn't have to be food or a store. Just come up with your perfect life and write down what that looks like. Going back to our round pegs for round holes concept, your vision doesn't even need to be a business. You might look at your "ending" after writing it down and realize it's a job. Simply focus on what your perfect life is 5 years from today. Write down what it looks like. Write down what you do every day, how much money you have, why you are so happy, etc.

Throughout the 21 steps, think about your vision daily and your subconscious will help guide you to opportunities that are congruent with your "ending." The goal is to get you on the path to that ending whether it's a franchise, an independent business or a job. Keep it in mind as you evaluate yourself and the opportunities out there and you will find yourself being a round peg with a round hole!

Complete step 2 by writing your ideal life down on paper. It does not need to be long but it should be detailed. Vivid details evoke emotions and evoke awareness in your subconscious. It will help your subconscious keep you moving toward your goals. I am a huge believer in the power of vision. Once you identify a franchise to pursue (assuming you determine that it is for you) we will discuss this vision and incorporating the franchise into it. Visualizing your future is powerful and will help you make it happen!

### Step 3 – Should I follow my passion?

This is not as straightforward as it seems. Clearly some people like Steve Jobs with Apple or Toms Footwear founder Blake Mycoskie follow a passion to build a business that impacts people. In the case of those two examples, the businesses impact the world well beyond their immediate area. Apple revolutionized our world with personal, individual access to better information and improved productivity. Tom’s footwear leveraged a mission to help underprivileged people all around the world and built a business around providing footwear to them free!

Business books and magazines are full of examples of passionate people who leveraged those passions to power through long hours and challenges to build exceptional companies. But there are issues with focusing on that alone.

What if you don’t have a passion that easily translates into a business? What if your business burns you out on your passion? What if pay or profit margins are really low?

I know many winemakers who drink beer because they followed a passion to make great wine but can’t drink any more wine. I know golfers who thought it would be amazing to get into the golf business only to realize years later that they barely play golf any longer. Scrapbook or craft people show up in droves at shows and conventions but most of the vendors barely break even (even if they have a retail store).

Of course many winemakers drink lots of wine and many golf industry professionals, play a lot of golf. A few craft hobbyists have made it big with Michaels, Hobby Lobby or the magazine Creative Memories. But the take-away I hope you leave with is that many don’t make big money so don’t make your passion an “all in” criteria to finding a great business.

Let’s go back to the first question. What if your passions don’t transfer into business concepts? Or, more likely, if your passions don’t fall into a “profitable” business concept.? Think about it. Using my examples above with scrapbooking, golf

***“The road to success is not easy to navigate, but with hard work, drive and passion, it's possible to achieve the American dream”  
-- Tommy Hilfiger***

and wine...lifestyle businesses are very enticing to a large pool of people. Many are willing to work for less just to be in that particular business. Golf is a perfect example. Many people work for less or sell for less to be involved in that lifestyle! Is that

what you want to leave your current situation to do? My wife ventured into the scrapbook industry at one point and we quickly discovered a world of passionate people having fun but making very little money. The wine business offers my favorite example. I love this famous quote, “How do you make a small fortune in the wine business? Start with a large fortune!”

My advice is to take a hard look at your passions and look at business models and brands that align, support or otherwise enable your passions. The key is “enable”. If you are not easily able to find a franchise company that embraces and engages you in the business of your passion, find one that leverages your skills to the best of your ability so that you may build enough free time and make a large enough revenue stream to spend free time and money on your passions as your hobby!

Clearly the way I talk about wine, I am into it. I even write some travel blogs about my wine exploits. I am known as a “wine enthusiast”. Being a business owner has given me the opportunities to find, try and buy fine wine both from a time and financial perspective. As for others, I know more, happy, successful franchise owners who spend their money at wineries, on the golf course, contributing to school boards or other foundations or pursuing hobbies in crafts, art or other passions, than people actually working in those industries do. Look for opportunities where you can make your income goals and that also give you the free time to follow your passions separately!

## Step 4 – Why a Franchise?

Your momentum is strong and you've made it to step 4. Congratulations! I must assume that you've committed to evaluating yourself and franchising. The purpose of my book after all is to help you evaluate whether you are a blossoming business owner and if so, to find that perfect franchise company with which you'll succeed.

The first natural question should be, "Why not start a business on your own?" Why would you pay the fees to a franchisor just to obtain the right to pay them future royalties too? The answer is this... It's generally accepted that a proven franchise model that takes advantage of your individual skill set can increase the odds of small business success and the scale to which you succeed. What is that worth to you?

Inc. magazine published a story Oct 21, 2015 that 50% of all new businesses

***"Be in business for yourself but not by yourself"***  
**-- Ray Kroc**

fail within 5 years. I remember from business school hearing that number was closer to 80%. What about franchises? Don't they increase your odds of success? Entrepreneur magazine published an article on

May 15, 2015 showing that over the period 1991-2010, only 17% of loans funded for franchise start ups with SBA backing defaulted. That would seem to suggest franchises do increase your odds of success. I cannot say unequivocally that franchises will help you succeed. That 17% doesn't take into account people who used cash or other investments and may have failed. Plus, many franchises remain open, floundering and unprofitable as well. Where do they fit in those statistics?

The bottom line is business is risky and that includes starting one with a franchise model. Many variables determine business success or failure. But no one seems to agree on what "success" means. Remember to be "successful" you are not just breaking even right? You set out on a quest to be in business for yourself but you did so with the idea of also increasing your income! The question you need to ask as you evaluate franchise options is, "does this franchise, with their brand, systems and support, increase my odds of success as I define success?"

Ultimately most franchises are in business and are successful because they deliver more value to their franchisees than they get paid in royalties and fees. If not few franchises would exist. They also provide a starting point. Not everyone has a great idea or better mousetrap to passionately build a business around. Franchises provide the idea, product or service, to build your business around. That is one issue. A second concern is speed. Franchises can dramatically shorten the learning curve to getting open, getting profitable and making more money with less effort. Lastly, franchises provide a roadmap to scale. They will have plans for you to follow and current franchisees for you to model. You can grow as large and as profitable as you want.

In the end most people focus on, “Could I do it cheaper myself?” The answer is almost always yes if you simply look at cost to open something. But if you look at the cost to open a comparable business, the franchise will often cost much more yet yield comparably greater revenue in shorter time. The franchise formula will force the franchisee to present a national brand image, develop quality and not cut corners. They will require the franchisee have working capital beyond just the cost to open the doors in order to survive the ramp up phase to profitability. Many start ups fail by under funding start up and cutting corners but even more fail by under funding ramp up. A good franchise should help you plan for this.

Visualize a local burger joint versus a burger franchise. In my town and in my travels, the franchise will almost always be cleaner, brighter, have better signage and branding, and be put together with thought and planning. It shows right? The food may be comparable but the experience isn't. The franchise systems go beyond the look and to the product. In our burger example, the food with a franchise is consistent. People pay for consistency and a known brand. I have operated a franchised children's entertainment and birthday facility for many years. We have had many competitors come and go throughout the years. Every one of them was under capitalized, skimped on start up and never really understood their business model. They are at a huge disadvantage competing with me at what appears to be a simple business. In 10 years in our community, 5 have opened and all but one are now closed.

All that said, franchises are not all equal and must be fully investigated. The good ones all provide way more value than they take in with fees. We can certainly break down the “why” in more detail though. In basic terms franchises provide a product or service, training, a system for operating, a brand and marketing assistance. Some do better than others at one or all functions but they should at a minimum, provide the training you need to open and support your need to operate your business. Ideally they also help you select appropriate location if that is critical to success. A good franchise will provide more than an operations model however. They will have a recipe for getting open quickly, for getting ramped up to profitability much faster than one could do on their own and different support for the established franchisee. Each phase in a franchisee's growth requires different support and guidance. That is part of what you are paying them for and they need to provide it. Make sure to discuss with franchise development team (And with franchisees when you speak to them!) what the support looks like beyond start up, ramp up and year 1.

In summary, a franchise should be able to justify how, and why, they earn their fees. If you cannot reach the conclusion that they provide more value that they take in, then you need to move on.

## Step 5 – Are YOU Cut Out for Franchising?

Many people fail to realize, at least initially, that the franchisor-franchisee relationship is a partnership. The franchisor will be evaluating you at least as closely as you are evaluating them!

The most important question in their mind is very straightforward. Are you a self-starter and can you follow the system? If you are the type of person who wants to design your own advertising, set your own hours, add or modify products or services? If so, you are really more cut out to start your own business as an independent.

Franchises have a proven system that works. You are paying for that so why mess it up? Why pay for the system if you know that you are not likely to follow it? Franchises want people who will follow that system because those are the ones who are successful. Simple as that.

You will likely be given pricing ability for your product or service and some flexibility with product offering. Good franchisors will be open to ideas so long as you

***"If you really want to do something, you'll find a way. If you don't, you'll find an excuse."  
-- Jim Rohn***

submit them for approval. (The \$5 Footlong and the Big Mac both came from franchisees!). The limitations of such freedoms are usually spelled out in the franchise agreement though and you do not want to break those

limitations. You could have your franchise terminated.

The other question of whether YOU are cut out for franchising is, pertains to being a self-starter. Many people approach franchising for that system that is provided. That is perfect...it's why franchising is a successful model! But the franchise will not do the work for you. I'm sure that you have heard the phrase, "If it is to be, it is up to me." The franchise is just the recipe or the road map. If you want to make a cake, the recipe book won't make it for you, right? You gather the ingredients and follow the instructions and Bam! You have a great cake. Franchising is the same thing. Gather the ingredients, follow the system and Bam! You have a great business.

Some people, who approach franchising because they don't feel they have what it takes to start a business on their own, don't have what it takes to be successful with a franchise either. If you are not willing to do what it takes to be successful, you may not want to pursue starting a business.

The goal of any good franchise advisor and any good franchisor is to help you figure that out before you invest. Franchisors want their franchisees to succeed. You will hear stories of companies who just want to sell franchises for the fee. They exist. But the reality is for good franchises, the franchise fee up front simply covers the cost of acquiring franchisees and training them. They make their money on royalties paid over the long run. So they are motivated to weed out those who clearly aren't going to be successful. That said, it is not their responsibility to make that decision perfectly and they frequently will award a franchise to a candidate who is on the fence. It will

be your responsibility to be successful or not. Can we repeat that one more time? **It will be your responsibility to be successful or not.**

We will work through a lot of information over the next 16 steps. Most of it geared to making sure you end up with a franchise company and territory that truly sets you up to be the best you can be. Equally important though is whether or not the best you can be is good enough. We will help you to look at yourself objectively to get clear on your potential even as you work through the fears and the excitement that starting a business can bring up.

## Step 6 – Find Your Mentor

Mentors come in all shapes and sizes. Merriam-Webster Dictionary defines Mentor as “a trusted counselor or guide”. (Full disclosure... I am not just a franchisee of a large national brand; I am also a Franchise Consultant and Broker. I am admittedly biased

toward working with a professional Franchise Consultant. And the processes explained

**mentor**  
*noun - “a trusted counselor or guide.”*

in “Be the CEO of Your Life” are those same processes that I use with the clients I work with and the franchises that I represent.) While I strongly recommend working with a Franchise Consultant as your mentor (also known as Franchise Coaches or Franchise Brokers), it is VERY important that you find some trusted advisor knowledgeable about the world of franchising but not tied to a single franchise company.

When you begin inquiring about businesses, everyone has something to say but not everyone is an expert. People will want to make themselves look knowledgeable and will make all kinds of recommendations. And, its not just friends and family of course. We also have the online world. The Internet is a sea of information and it is very difficult to get good information in an efficient manner. You can very easily spend a lot of time chasing a concept that is not suited to you or not even available in your area. A good franchise consultant or franchise broker can quickly walk you through a process of introspection and self-evaluation that introduces you to franchise concepts matched up to your goals and abilities.

What exactly does a Franchise Consultant do? Also known to franchisors as a Franchise Broker, these Consultants typically represent several hundred different franchise brands. They are not likely to be experts on all of them but they know them from a high level and have access to inside information. They know what the daily life of a franchisee looks like in each company. They know what type of Franchise Compatibility profile each Franchise Company is looking for. They have general ideas on income expectations. They know the investment expectations. They know company cultures, support and what type of person is successful with that company.

They use that knowledge to match up franchise companies with you. The missing piece is YOU and the mentor really getting to understand what makes you tick so that they can make the correct connections.

Your mentor should have a process to get to know you, your background, your needs, skill sets and finances. They will create your profile with you and run that profile through their database of franchise companies ultimately coming up with some ideas that fit you. The match is simply the introduction to a company that has the potential to fit. For many reasons it may, or may not, ultimately work out. But the

additional due diligence discovery is up to you working with the franchisor directly to figure out if it is going to be “the one”.

## Step 7 – Mentor Meeting: Getting to Know You

After you've found a consultant you like and have good rapport with, they're going to want to get to know you. I like to say, "I want to know what makes you tick; where you want to go and why." I can help you with 'the how' armed with the details of your background, skills, lifestyle needs and financial goals. Your mentor may go through a phone review or two. Or, they may present you with an application or questionnaire to complete.

This is the information they need in order to research and match you with a franchise that will set you up for success. In some cases, they will work with you on

***"There is a powerful driving force inside every human being that, once unleashed, can make any vision, dream, or desire a reality."***  
**-- Anthony Robbins**

the phone to put the information together. Other times, they present you a form to complete. They should accommodate whichever method works better for you but getting the information to them is important if you want them to be able to

help you. Do you remember the movie Jerry Maguire? (No...not "Show me the money." That comes later!). In the movie, the Tom Cruise character says to his client, "Help me, to help you." He repeats and emphasizes it a few times. "HELP ME to HELP YOU" That is the same idea here. Your Mentor needs full and complete information to really know you and represent you. They are only as good as the information they have to work with!

The information will be confidential but you should know before completing it that it will ultimately be presented to a franchise on your behalf. It does behoove you to complete it in as much detail as possible. You want the consultant to know you and your goals in detail. The more information about you that you provide, the better they should be able to match you up with a winning franchise.

A professional consultant should also have you complete a values or skills self-assessment. I use a franchise specific compatibility self-assessment. It assesses your approach to life, people and business and creates a profile. It's online and takes 7-8 minutes (Mine is free if you want to try it out [zoracle.net/assessment/welcome/lakeportfranchisegroup](http://zoracle.net/assessment/welcome/lakeportfranchisegroup)).

A proper assessment will tell you a lot about yourself and prospects to be a successful franchisee. It also will steer you in the right direction to match your personality, your skillset and your experience with a business model that fits you! Many franchises have specific profiles that they know tend to be more successful. That is valuable information to have...for them and you.

## **Step 8 – Mentor Meeting: Consulting process/Prequalification for Franchises**

Steps 7 and 8 are often done together. But they are two distinct events so I have broken them into 2 meetings. Step 7 is putting the information on paper for the consultant while Step 8 is more about making sure they are fully understood. If the paperwork is completed on your own and then emailed or faxed to the consultant, it will be more clearly 2 different steps. If the process is done in a phone interview then in all likelihood, it's combined.

In this process for step 8, your mentor will review with you your franchise compatibility assessment and the information on the consulting application. In order to effectively guide you, they need to have a solid understanding of your background, work history, education, skills, hobbies, fears, goals, and, of course, finances. Are you and a spouse or partner planning to do this together? (If so, and not already involved get them involved now!) The mentor will need to know how much you have in liquid cash, how much you could finance, what you are comfortable with as a total investment and how much income you need to make in a business. This review is a great time to fill in any blanks or add additional information that could help the consultant find your perfect franchise company.

*"Don't be afraid to give up the good to go for the great."*  
**--John D. Rockefeller**

The assessment review will steer you further in a direction of what types of businesses or business models suit your personality and skills. Your consultant should have a frank conversation with you about your assessment and its results. This conversation should also include high-level review of business types, business models or products and services. They will ask you if you have ever researched opening a business before or talked directly to a franchise before. What your experience was and what you liked or disliked will be of interest to them.

The goal is to take all of this information and compile it into a profile that represents you. They will use this profile to narrow the field of potential franchise matches from thousands down to a handful on your next call.

Specific name brands are not typically discussed yet but the conversation will help with an understanding of what type of business may ultimately resonate with you. For many reasons, you will rarely discuss specific franchise companies at this stage. The consultant really needs time to digest your profile and work it through his or her database of franchises. Plus, the consultant will want to verify territory availability in your area before reviewing specific franchises with you so that you don't waste time on, or get excited about, an opportunity that isn't available to you. When this day is complete, they should be armed with all the information they need to find franchises that you find interesting, fit your lifestyle goals, are available in your area and of course match your investment constraints and financial goals. In step 9 they introduce these companies to you.

## Step 9 – Mentor Meeting: Franchise match up introduction and review

After step 8, your mentor took your profile and went to work running it through his or her database of franchises. They will schedule a call or meeting to present their best ideas for a match. It should take about 45 minutes. You will want to make sure that you can be in a quiet place to properly evaluate the presentation and ask good questions. He or she should have a list of 4-6 franchise companies for you to evaluate and some idea of why these opportunities might be a good fit for you.

The goal is to match you, your goals and needs, along with your financial needs and constraints, with several franchises. While they may have other opportunities in mind, any more than 4-6 is very hard to digest and they will initially present the ones they feel fit best. Should none of them really feel right, it's possible they could introduce more on that call or they will schedule a follow up phone call.

The consultant will have verified these opportunities are available in your area and are a good potential match. They'll have business models to examine and should

***"Opportunities don't happen.  
You create them."  
-- Chris Grosser***

have an idea of investment requirements of the franchises they present to you. They should be able to discuss a day in the life of a franchisee in those systems. It will still be a high level, very general presentation of the franchises but you

will discover enough to know whether an idea resonates at all with you.

The more detailed information about financial prospects, franchisor support and whether this really could be a franchise for you comes from what is known as discovery and validation. Questions like "How does this Franchise get its customers?" or "How much do I need to spend on marketing and advertising?" are better directed at the franchise development team directly. Getting specific on investment and returns are better asked to the franchisor directly. Wondering if you need to do specific functions or can you hire a sales manager, operations manager, etc.? Let's talk to the franchisor. If you start asking questions beyond the scope of your Mentor, well, that is a good thing! It means you are interested and intrigued to the point that it warrants a conversation with the franchise development team.

## **Step 10 – Meet the Franchisor!**

It's time for the Franchise introduction call with a member of the franchise development team. Once you've found a potential match...a business that you could see yourself getting up daily excited to operate, then your consultant will provide an introduction. The franchise development person from that brand will reach out to you to schedule an introductory call. Many mentors will want to be on the calls with you and the franchisor. Not all operate that way so you'll want to ask them to join you if that is your preference.

The goal of this introductory meeting is to determine if you want to take the next step. All they do in this call is take the 30,000-foot view from your consultant overview down to about 15,000-20,000 feet. You will still have unanswered questions at the end of today but you'll know enough to move forward or to stop.

The Franchise Development person will add some more detail and answer your questions. Many times they lead you through a presentation online, a webinar or via PowerPoint. Frequently you hang up from this call with more questions than answers...and that is good. It's to be expected. The most important feeling for you to focus on after the introduction is this: are you more interested/excited about the franchise or are you already having doubts? Make sure to get on the phone with your mentor and share your thoughts. They can help you figure it out. There are times where the concept just isn't what you thought and there is no point moving forward. That's ok! It is part of the process. Just make sure it is not fear.

Fear. Yes, this is a big part of why many people stop and run and this point. I'll say it again. FEAR. When you start talking specifics with a franchisor, everything gets a little more real. Some people cannot handle that. Even though there is still no commitment or cost at this point, some of you will freeze up. I want to encourage you not to be THAT person. It is not productive for you, the mentor or the franchise.

The key to moving on, or not, is to identify if it is something about this business you just do not resonate with or if it is just fear of the unknown. That fear is always there and some people never conquer it. But it will be there with the next franchise you look at as well. So if you are not excited after the introduction call, it is important to determine why.

Many people do hang up more excited though. If you are anxious to start a new chapter in your life, it will be easy to get excited. Follow the process and keep asking questions. The goal is to still be that excited after you have learned all there is to know!

During the initial call they will make sure you meet their minimum investment criteria. They will ask you about your background, just as you are asking about their business opportunity. As with any introduction, there is still much to learn about each other!

They may give you an assignment. Usually it's simply completing their financial application. The primary purpose is to gauge your ability to go forward and succeed. They know that successful franchisees in their system need certain amount

of capital. They want to know you have it. They also will be evaluating your commitment by providing a basic homework assignment for you to complete. They know that great franchisees can follow a system and that starts with following their discovery process.

Upon receipt of their application, they will send you the Franchise Disclosure Document (FDD) as required by law. This is a huge document with lots of information. Don't be intimidated by it though. If you have not seen these before, walk through it with your advisor. You potentially will want to review it with a franchise attorney as well. You need to have a basic understanding of what's included in there in order to be able to ask the franchisor intelligent questions. In future steps (Step 12) we get down and dirty with the FDD so that you know what is in there. Your mentor and the franchisor will be able to explain in more detail what is in the FDD as it relates to their business opportunity.

Here are some initial questions that I provide to clients. It is by no means comprehensive and many of these questions will be more appropriate at later stages so refer back to this list as you go forward. It should also jog your brain to come up with additional questions perhaps more directly related and relevant to the brand you are investigating.

### Questions you may want to ask the Franchisor

1. What is unique about your franchise?
2. How many franchised units are there? How many opened last year?
3. What do you look for in a franchisee? What is the ideal franchise candidate for you?
4. Why would someone choose your brand over others?
5. Why should I be looking at your franchise instead of doing it on my own?
6. How do you feel you earn the royalty fees?
7. What amount of flexibility do you allow your franchisees to have in regards to new ideas or bringing their own ideas to the business?
8. What is the training like? And the franchisor support & involvement for the first year? After the first year?
9. Who is your competition and how does this company compare to the competition?
10. What franchisees have succeeded at a faster rate than average and why? (what is average)
11. What franchisees have failed in your system and why? How many have closed in recent years? What percentage?
12. What is a realistic timeframe to breakeven (Basically how fast am I cash flowing)?
13. What territory or how many locations do I need to insure I get the income of \$\_\_\_ that I "need"? Further how about to obtain the income \$\_\_\_ that I

*“want”? (They may not answer this question due to earnings claims, but they may aid creating your own plan)*

14. What are the daily responsibilities of the franchisee? What does a typical day look like?
15. If I want to continue, will you provide me a list of franchisees to call with similar demographics to my area, similar background to mine, and a variety of time in the business? *(You can call ALL franchisees. Out of respect for them please start with any process the franchisor has in place)*
16. Do you host a discovery day or require a visit to your offices and a franchise location?
17. Do you offer financing options for this business? If not, have any of your franchisees received funding from the SBA or other business loan sources?
18. Is the franchise transferable? Have you had franchisees sell their business? How many?
19. Who owns the trademarks, service marks, etc., and are they federally registered?
20. Are there any disputes pending or threatened against the trademarks?
21. Have any senior management or key personnel recently left the system?
22. Does this company compete with the franchisees in the marketplace with company owned locations or territory?
23. What fees will the franchisor negotiate? Other terms of the franchise?
24. Does the franchisor staff attend seminars on franchising and management?
25. Do field consultants offer help and guidance or merely act in a regulatory role?
26. How many franchises do you expect to be added each year?
27. Where will they be located?
28. What is the success rate of existing franchises? How many units closed last year? Why?
29. What method is used to protect franchisees from poorly performing franchises?
30. What support does the franchisor offer to poorly performing units?
31. Is there a franchise owners' association or franchise advisory council?

## Step 11 – A Day in the Life of their Franchisee

It's time to decide if this franchise deserves further review or if you learned enough and decided to disqualify them as a match. Do you want to have a 2<sup>nd</sup> call? Focus on big picture still but start drilling down a bit. Can you see yourself waking up and being a franchisee in this system every day? Does the possibility excite you? There are still a lot of details to flesh out and understand but if you are not excited now, you never will be. In upcoming calls with the franchisor and with existing franchisees, focus on daily activities. You need to begin to better understand what a day in the life of the franchisee looks like at start up, month 6 and beyond. The essential point up to now has been to follow your gut. How do you feel about this franchise, what it does and how franchisees go about the business? Do you feel better or worse about the opportunity than before you spoke to them? If it's better, or you are at least as excited as before, definitely move on to another call. If you don't, that may be a red flag to take a step back.

If you're still excited and like the idea of joining this brand, it's time to start digging deeper...both about them and you. You should have a basic grasp of the investment at this point. Do you know where the capital will come from? It's time to have a serious look at how you'd finance this start up if you get to

***"I find that the harder I work;  
the more luck I seem to have."***

**-- Thomas Jefferson**

the finish line with them. We will expand on this in step 13 but you should begin thinking about a business plan. You need to get a good handle on the business prospects. I recommend that you develop a worst case and expected financial plan. If you beat that plan, outstanding! But you should feel a confidence in your expected plan and be able to live with worst case.

Most importantly, today, you need to have a grasp on what activities the franchisee in this business does every day. If you don't feel like you understand that, stop here and talk to your Mentor or get back on the phone with the franchisor representative. You need to know, and LIKE, the life in this franchise or there really is no point in moving forward. If they expect you to do some selling, and you know that you do not want to do that, stop now. If they expect you to be at the store or office at 7:30am to lead a morning huddle and you can never see yourself doing that sort of thing, stop and move on to another franchise. If they tell you networking within the community is a big part of success with them, you better be comfortable with that. See where this is going? Get a handle on the day in the life of a franchisee at an early stage and you can quickly qualify or disqualify them for you.

## **Step 12 – The Franchise Disclosure Document (FDD)**

The Franchise Disclosure Document is long, frequently 150-200 pages of legalese but the first 40-50 pages are the most relevant to most of you. The rest often includes addendums for Area Developers or Master franchises that are not relevant to most candidates. But there is a lot of important information in the first 1/3 and you need to read it. Highlight or note questions, concerns or anything that is not clear to you and make sure that the franchisor or your franchise attorney clarify them for you.

When you first talk to a franchisor the conversation revolves around the basics and often resembles a first date. It can be a little awkward as both parties attempt to size up the other to determine if they want to go farther. Once you move beyond basic overviews, they are required to “disclose” you in a format created by the Federal Trade Commission. They will send you the Franchise Disclosure Document (FDD), a documented filed with the government annually. It is very important that you take the time to review this document. The federal government regulates it and many states have additional requirements. The goal is to protect you with transparency and precision in terms of what exactly you will be buying and agreeing to if you are offered a franchise and choose to accept the offer becoming a franchisee.

The FDD has 23 items. You need to read it and review it with the Franchisor and your Mentor. The original purpose of the FDD dates back to the days when franchise salespeople would play fast and loose with the truth, resulting in a number of franchisees who would invest their life’s savings into franchises that would ultimately fail. In order to protect these “consumers,” the FTC developed the disclosure rule to more fully inform franchise buyers about the investment they were considering. A FDD contains background information about the company and lists 23 items that cover just about everything you’d need to know the franchise.

I like to pay particular attention to Item 6 which lists expected costs of operations, Item 7 which gives a breakdown on estimated costs to start up, Item 15 which discusses how you can manage the business, Item 19 which covers any earnings or sales claims made and Item 20 which will show you how many units operate and how many closed in past years. Of course you absolutely need to read the whole thing and each section can have more or less relevance depending on what it says and how you are approaching a start up. The FTC Rule drives the content and format and it does not change. Please go through this FDD thoroughly and make note of the questions that you have.

## What are the 23 items in a FDD?

**Item 1- The Franchisor:** Provides the names of the franchisor, their predecessors and their affiliates. It also states the aim of the franchisor's business and their experience.

**Item 2- Business Experience:** Gives you information about the officers, directors and executives of the franchisor.

**Item 3- Litigation History:** States if there is any relevant criminal or civil litigation regarding the company or its management.

**Item 4- Bankruptcy:** States if the company or its managers have declared bankruptcy.

**Item 5- Initial Franchise Fee:** Contains the amount the franchisee must pay to acquire the franchise, and how the franchisor settled on this amount.

**Item 6- Other Fees-** Includes fees other than the initial franchise fee, including royalties, training fees, advertising contributions and transfer and renewal fees.

**Item 7- The Initial Investment-** Contains a table with payments the franchisee must make to set up the business (including initial franchise fee, real estate, equipment and supplies, signs, advertising, start up capital, working capital, etc.), as well as when and how to make these payments.

**Item 8- Business Restrictions-** States restrictions on suppliers, products, equipment, or services related to the franchise.

**Item 9- The Franchisee's Obligations-** Includes wide-ranging information about what the franchisee is required to do.

**Item 10- Financing-** States whether or not the franchisor offers financing, and if so, terms will be included here.

**Item 11- The Franchisor's Obligations-** Includes wide-ranging information about what the franchisor is required to do.

**Item 12- Territory-** States if the franchisee will be granted exclusive rights to a territory and whether the franchisor can set up another unit within it.

**Item 13- Trademarks-** Sets out the franchisor's trademarks, service marks and trade names that will be used.

**Item 14- Patents, Copyrights and Proprietary Information-** Contains information on which of these the franchisee may use, and how.

**Item 15- Participation-** States whether the franchisee must be a hands-on owner, or if they may be an absentee owner.

**Item 16- Product or Service Restrictions-** States the products or services the franchisee may sell.

**Item 17-** Renewal, Termination, Transfers and Dispute Resolution- Consists of a table that set the terms of the agreement- the length of the term, renewals, termination reasons, transfer rights and other items.

**Item 18-** Celebrities- Lists the names of any public figures that may be involved in the venture and the details of the celebrity's agreement.

**Item 19-** Financial Performance Representation- Statement that contains what other franchisees have earned. It is important to note that the franchisor is not required to provide an Earnings Claim and the salesperson is only authorized to state numbers that are disclosed in the FDD. The salesperson, however, will assist the candidate in receiving this information from franchisees, through the due diligence process.

**Item 20-** Other Units in the System- Provides information about other franchisees, company-owned outlets, the estimated number of franchises to be sold in the next year and other information.

**Item 21-** Financial Statements- Provides audited financial statements of the franchisor for the past three years.

**Item 22-** Agreements- Includes the franchise agreement, and any other agreements.

**Item 23-** Confirmation- Contains a receipt that you must sign, which states that the franchisor provided you with the FDD.

### **Exhibits**

- A. Financial Statements
- B. Closing Acknowledgments
- C. Schedule of State Agencies
- D. Loan Agreement and Addenda
- E. Franchise Agreement and Addenda

## Step 13 – Business Plan Outline

Now it is time to develop an outline for your business plan on how you see this franchise company working for you. It will help you to prepare for additional calls with Franchisor and to be prepared to ask great questions of existing Franchisees. Visualize your “End in Mind” with this concept. Let’s expand it to begin building your personal vision for your franchise. At this point it is still big picture because you don’t have all of the answers yet. Likely you are still working on a bold vision statement followed by an outline. The outline will drive the upcoming conversations though. Every time you talk to your Mentor, the franchisor and their franchisees, your needs and your vision should drive questions.

This outline will eventually become a business plan. Where do you start? Remember at this stage you are only creating an outline with perhaps some bullet points. You are building your roadmap and you start at high level. We have some priorities to keep in mind writing up your plan and really to keep in mind over the next few days as you learn more. The box below on the next page is a summary that comes from Entrepreneur magazine in a December 20, 2010 article about franchises. They present these as the 3 main reasons franchises fail with the suggestion that if you adequately plan for them, you increase your odds of success dramatically. Have enough capital, know your marketing strategy and know the role of the successful franchisee.

Start with rough projections for financials. At this stage they may be VERY rough. How much money do you see the business making (Gross and Net and remember today these are just guesses but ultimately your plan will be detailed and based on much greater knowledge)? What are your daily activities in start up, year 1 and year 3-5? How will they change? How will you bring in customers and revenue? What is the need for this business in your community? Review competition in the area and do an area analysis. If your prospective franchise requires retail or office space, begin thinking where you might want to be and how much rent will be. You should have learned more about what kind of capital it takes to get this started. Do you have enough cash? Do financing needs analysis and review with your advisor. Do you need to look for additional capital? Should you tap into home equity? Should you tap into retirement funds or investments? Maybe pursue an SBA loan?

Remember at this point you still have way more questions than answers. This exercise is to guide your thinking as you go forward and provide you a template to expand into your personal business plan as you move forward. Your Mentor should be able to give you some framework for this plan but there is no magic formula or format. The idea is this plan drives your due diligence. It shows the franchisor that you are a serious businessperson. At this stage, it’s more of an executive summary and a place for you to gather your thoughts about the pros and cons of the business opportunity. Add and subtract to it daily as you move forward eventually developing it into a legitimate business plan with detailed financial projections and marketing plans.

## 3 Reasons Franchises Fail

- 1. Capital Issues:** The classic blunder for anyone entering a new business is to not have enough money available to cover all the needs. This not only means enough to get the business started but also enough to cover losses while the business is growing and to cover personal expenses while waiting for the business to afford to pay the owner. Make sure you've got significantly more than you think you'll need and you will have a much safer journey.
- 2. Marketing Issues:** The bottom line of any new business is that you've got to attract a solid base of customers if you're going to succeed. If the marketing program isn't successful in doing so, or if you don't have the marketing program fully-funded, then you're going to have problems that the business probably cannot survive.
- 3. Franchisee Role Issues:** Be sure you know what is expected of the owner in order for the business to be successful. If the franchisees role is to go out and sell the business to attract customers and all you want to do is stand behind the counter, there are going to be problems. In your due diligence, find out how the most successful franchisees spend their time and make sure you feel comfortable with those activities before selecting the franchise.

## Step 14 – Funding your Start-up

No book on start-ups would be complete without an overview on how to fund them. You need to begin with an honest appraisal of your cash position and all available assets to you. You'll hear this referred to as your balance sheet. Sounds formal and official right? But all it really means is everything you own (your assets) minus you've your debts associated with those assets (liabilities). What remains is called your Net Worth. Your assets will be things like cash, savings, investments, house, rental real estate, cars, and retirement funds (401K/IRA). The liabilities are mortgages, car loans, anything you owe. Net worth is important because many franchises have a minimum before they will even talk to you. Knowing your net worth helps you avoid wasting time on franchise companies you cannot get into.

As you evaluate your financial situation cash is king. Franchise companies also have a minimum cash requirement. There are a few at \$20,000 and a few more

*“What do you need to start a business? Three simple things: know your product better than anyone. Know your customer, and have a burning desire to succeed.” – Dave Thomas*

around \$50,000 but the franchise world really opens up to you when you can bring \$75,000 to 100,000 to the table. Now, if

you don't have a lot of cash, but you have investments, a lot of home equity or a retirement fund, franchises will still talk to you. Just know that you need to move some of those assets to cash before you will be awarded a franchise.

How much total will you need? Many outstanding franchise opportunities estimate cost to start up will be \$100,000 and up. Most food concepts are \$300,000 and up. In addition to Net Worth and minimum cash, franchises are required to list the expected start up cost. It includes everything and most will include a cushion called working capital that is cash available to you to fund operations until you are making profits.

The estimated costs are usually presented in a range and they are part of the FDD in Item 7. The reason for the range is costs vary with each situation. Cities differ in costs. Locations if they require building out a space will vary greatly. Sometimes a landlord will pay some of those costs. Sometimes they won't. If you intend to hire a manager immediately, your costs will be more than a franchisee who is going to be the manager. See where all this is going? That is why they provide ranges...and my advice is to add another 10-20% as an additional cushion because things happen and luck favors the prepared.

So you know your cash, your assets and your net worth. You know the expected investment and start up cost of the franchise you are looking at. What else should you factor in? Most franchise start-ups don't make money for 6-12 months and often won't reach the businesses potential for a couple years. Plus, you may have several months or more getting to the point of opening your business. What do you

need to live on for that time frame? Some franchises may allow you to keep your job for a period of time and that will help. Make sure to discuss that with any franchise you are seriously evaluating. If you don't have your bills covered, then you need to factor amount into your funding or you will find yourself short.

At this point you should have an idea of how much you have and how much you need. Where do you get the difference? The most flexibility will always come from your own assets:

- Do you have more cash than originally planning to use?
- Do you have home equity that you could tap into?
- Do you have stocks; bonds or mutual funds you could cash out?
- Do you have a retirement fund? There are companies that specialize in rolling them over, tax & penalty free, into a special retirement account that invests in your start up. What other options exist?
- Does the Franchise Company offer any financing? About 20% offer some sort of internal financing of fees or start up costs.

Enlisting support and loans from family and friends is a good option because you're not likely to be bound to debt service that traditional loans will have

You could take on a partner but then you're looking at splitting profits. Can you afford to live on half of what your projected income will be? Bank financing... SBA backed loans are the most readily available. They will often fund up to 70%, even 80% of your start up. They will require collateral so be prepared to pledge homes or other investments as collateral. This is why net worth is important. Franchises know what you need to finance their start up.

Many people start thinking about a franchise with the idea they can get loans for everything. The truth is lenders want you to have skin in the game so be prepared. You'll usually need 20-30% or more of the start-up and working capital yourself. There are creative ways to get the deal done so if you don't have the net worth or the capital, don't give up. But know that you need to find money and that needs to be in your plan. Work with your mentor. They will steer you to people who can help!

## Step 15 – Franchisor: Review Support, Marketing and Operations

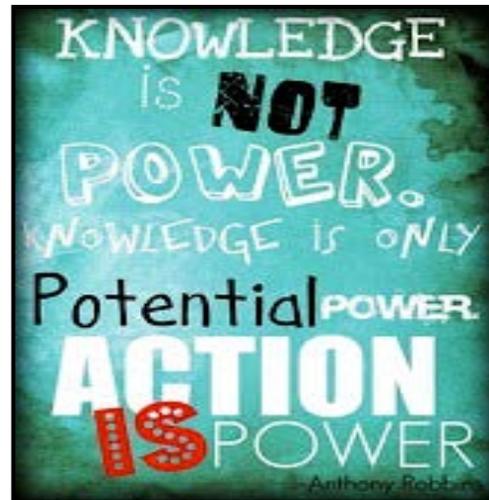
By now you should have a good understanding of the business model and daily activities. But as you are probably figuring out, deeper understanding often develops deeper questions! And it generates questions that you didn't know to ask before. By the end of this step, you really need to know the answers to these questions so you can move to talking intelligently to the franchisees already doing the business you want to do.

The goal of this stage and this conversation is to pry deeper into the mind of the franchisors team. You want to be confident that you understand where this business is successful, who is successful with it and why they are successful. You want to know where the customers come from and what is required from you to get them. You better have a solid grasp on what the daily activities of the franchisee are (and you better like them!). You need to know your numbers. What does it take to start the business? What does it take to carry the business to break-even? What does it take to carry my personal finances to the point in time the business supports me? What are the key metrics for this business (How will I know that I am doing well or not doing well)?

What else do I need to know about marketing? Can you show me some of the work they've done and things they are working on? What do they do for us and how long does it take? Do they handle ad campaigns or just provide graphics? Does the franchise have a call center or do they offer sales training (if applicable)?

How does the start up process work? Can you walk me through a step by step from signing the franchise agreement to open for business? What is the training and support? What does the franchise do and what is expected of me? Once we are open go into detail about support. How often do I hear from the onboarding or operations support? Is there one (usually called franchise business consultant or something like that)? Getting started is the hardest. Who do I talk to with all my questions?

What about territory? How is that determined and when? What demographics are you basing the territory on? If your franchise requires real estate (i.e. not working from home), who is responsible for finding the location? What do I do in that process? How about building out the space? DO you have a team or do I manage that? How about bookkeeping? Does the franchise help? Do they have proprietary POS system? How about CRM or accounting software? How do they get paid their royalties? When? Where do I purchase inventory? From franchisor, required vendors



or can we obtain our own products? How about operational supplies for doing business, cleaning, etc.?

You can see the list is really endless. You should be gaining confidence that you really understand the business and you can see yourself doing it. The next step is to get on the phone with franchisees already doing it and validate the understanding you have so far.

## **Step 16 – Franchise Validation: Franchisees Answer your Questions!**

This is where the rubber meets the road. You must talk to a few existing franchisees probably 3 at a minimum. I recommend 5 to 10 to get a good cross section of them. Some may be conference call formats or even recorded calls. The more, the better! But you should be able to speak 1 on 1 with at least a few.

These franchisees can fill in all the missing blanks in order to really understand the business. Sometimes you will be given a list to call. Some franchises do a regular talk to the franchisees conference call with a franchisee host. Others list them all in the FDD and just tell you call whomever you like.

Why is this so important? Franchisors provide a lot of information and data. How do you know if it's true? On the flip side, for legal reasons or just by choice, many franchise companies don't provide everything you need. How do you get those additional details crucial to your ability to make a good business decision of the franchise? The best way is talking to current or past franchisees who are doing the business daily. If a franchise doesn't publish earnings claims in their item 19 of the FDD, how do you estimate the revenue potential of the business opportunity? The most reliable way is to ask the company's existing franchisees how much they make, what real costs are, how much they take home after expenses, etc.

When you build your business plan, you create pro forma financials, or estimated profit and loss expectations. These questions of franchisees will provide much of the data you need. Of course they will validate many other parts of the business that the franchisor has provided you as well. You'll confirm the daily activities of franchisees and support from franchisor. Here is a list of questions you want them to answer. As with the franchisors it is not a comprehensive list by any means but it will get you started:

## Validation Questions to ask current Franchisees

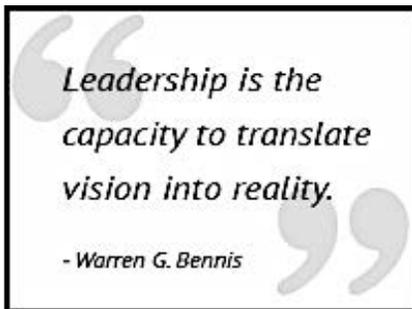
1. How long have you been in business?
2. Any surprises that you had before, during, or after you opened?
3. Would you do this business again knowing what you know today?
4. How is corporate support? What do they do for you at start up? Now? How do they support struggling franchisees?
5. How many hours do you as an owner work per week?
6. What are typical daily activities? Can you describe what your average day looks like?
7. Where do you get your customers? Does corporate help with that?
8. Have you made similar profit to that forecast in the disclosure document?
9. What is the best thing about this business? What is your least favorite?
10. How much did you spend on start up?
11. What were your gross sales/revenue for year 1, year 2, and now?
12. What is a realistic Net Profit in this business (How much do you take home)? And how quickly did you become profitable?
13. In which month did you reach your breakeven point?
14. Were your opening costs consistent with the original projections in the FDD?
15. Are you satisfied with the franchiser?
16. Are you satisfied with the product or service?
17. Is the operations manual, clear, up-to-date and adequate?
18. Are you satisfied with the marketing and promotional support provided by the franchiser?
19. Was the initial training and ongoing support sufficient for you to operate your business?
20. If applicable, are deliveries of goods provided by the franchiser or required vendors timely and competitively priced?
21. Does the franchiser listen and help you with your concerns?
22. Has the franchisor lived up to promises made to you in the FDD or otherwise?
23. Do you think the franchise system and the industry have improved, or deteriorated since you opened? How about franchise support and relations with franchisees?
24. Do franchisees that leave usually sell or do they close down taking losses?
25. Have you or other franchisees had any disputes with the franchiser? What was their nature? Were they resolved fairly?
26. Do you know of any disputes between the franchisor and government or competitors?
27. Who are your major competitors?
28. What did you do before you bought your franchise? Do you make more now?
29. What experience or training that you brought from your previous careers has served you best as a franchise owner?
30. Is there any one "past career" that is common among the owners of these franchises?
31. What most surprised you about running your franchise that you didn't know/understand/project before you purchased your (first) unit?
32. Did you borrow money when you opened? Any advice on sources of funds and maximum amounts to borrow?
33. How long was it from the time you signed your agreement until you opened? Why?
34. What items caused cost over-runs during your start-up?
35. How many dollars had you invested before you opened?

36. How much more was invested before you reached break-even? How long did it take you to reach break-even?
37. Have subsequent years' sales & profits grown at the rate you anticipated?
38. What is the image of your franchise system in the marketplace? Lowest Price? Fastest? Cheapest? Healthiest?
39. Do you know how much it costs you to acquire a new customer?
40. Have you had trouble finding quality staff?
41. How do you rate the franchisor's R&D efforts? In new products? New Marketing campaigns? Addressing other issues critical to your success? What have they done lately?
42. Do you know of any new or pending threats? New products or services? New competitors?
43. How do you get most of your new business? Advertising (Where)? Sales Calls? Referrals?
44. How cyclical are your sales? Through the day, week, month, year?
45. Do sales & profits in your unit(s) compare favorably with your expectations?
46. Would you consider selling? For how much?
47. What would you change about the franchisor if you had the power?
48. Would you buy your franchise again, if you had it to do over? If so, are you planning to open more units? If not, why?
49. What are your two best pieces of advice to help me evaluate if this franchise is right for me?
50. I'm projecting first year sales at \$\_\_\_. Am I high, low, ok?
51. I'm projecting cost of goods at \_\_%. Is that high, low, ok?
52. I'm planning on opening inventory of \$\_\_\_. Does that seem like the right amount? What is your inventory turnover rate?
53. Employee payroll is estimated at \_\_%, Rent \_\_%, etc.
54. Any other major expenses? \_\_%?
55. Which two expenses did most people underestimate in your business plan?
56. What questions should I ask that I didn't?

## Step 17 – Call with Franchise Leadership Usually President or Founder

Step 17 is pretty straightforward. After you have been vetted and screened by the franchisor's development team and after you have had an adequate opportunity to research and validate findings on the franchise company, the founder, CEO or brand President (if it's a multi-brand company) will want to talk to you. Some companies do this a little earlier but most do it close to (or maybe even as the last step before) inviting you to their Discovery Day.

This leadership call is a chance to question the top of the food chain with the



brand you are looking at. It is also where they really dig into you and validate that you are a good candidate for them.

On your end, make sure to ask about long-range plans. These are the strategic thinkers for the organization and should be able to offer insights into what may be coming.

Of course, many of the questions from Day 10 are relevant too...you'll want to make sure

leadership provides the same answer that franchise development team does. Keep in mind though, he or she is also looking at you as a potential franchisee and looking for any reason to award, or not award, you a franchise. Be careful not to be too abrasive or independent. They want motivated entrepreneurs but they also want people who can work within a system.

If for any reason you feel like you have been on the fence with this company, it is also your opportunity to sell yourself one last time. It is ok to tell the CEO that you really like their opportunity and you see yourself as a perfect fit (Assuming you really do of course). Go ahead ask if they have any concerns about you that have not been raised before, as you would really like the opportunity to address them. Another approach is to express that you want to be a successful franchisee and ask if they have concerns about your ability to deliver. Or better yet, who do they recommend you model to be very successful. Ask how you compare to some of their best franchisees and what you can do to be like them. These approaches establish in their eyes that you are motivated, sincere and open to being coachable...all very important traits of successful franchisees.

## Step 18 – Pause & Reflect: Should you Keep Moving Forward?

This is a very important stage in your due diligence. Now is a great time for a pause and for reflection. You've learned almost everything there is to learn. You've reviewed the FDD, seen all the operations and marketing plans and spoken to current franchisees. You should have a very good idea of what franchisees do every day. You've outlined a potential business plan and projected costs and revenues, and you have even spoken to the highest levels of company leadership. If you don't know it now, you won't know it until you do it.

You are getting close to a decision on this opportunity. The next step typically is a site visit to meet face to face with corporate leadership and/or founders. A few franchises will pay your way to visit but most expect you to get there on your own. This is the first place you really spend money looking into a franchise. Before you take that step, I suggest a brief reflection. This step is about a real evaluation of yourself, your feelings and this business opportunity. Do you feel in your gut it's right for you? How about logically in your brain? Do you have your financial plan in place or least an idea of how you'll get it done? Are you prepared mentally, emotionally and lifestyle-wise for what will come starting a business?

I also suggest that this is a great stage to engage legal counsel to review FDD's and/or Franchise Agreements. Not all of my clients do this, but I always recommend it. You need to know that there is very little that can be (or maybe I should say "will be") changed. Franchises just don't. But a franchise attorney can give you a better understanding of what the agreements say in layman's terms.

Tomorrow you will develop the numbers with this opportunity, so this is more about you, daily activities of a franchisee, support from the brand, etc. If there are unanswered questions, now is the time to present them and create a strategy to find the answers. Talk to your mentor and discuss the pros and cons as you see them. Bring up issues that are still bugging you and ask them for

*"He who would accomplish little must sacrifice little; he who would achieve much must sacrifice much; he who would attain highly must sacrifice greatly."*

—James Allen

direction on getting answers. Talk to the franchise development person who is your point contact and push them for answers.

The bottom line at this point is you should have just a few details to fill in to satisfy yourself that the business opportunity is everything you wanted (Or not what you want). You may still need to finalize financing and that's to be expected. You have discovery day still and that will really be more about confirming everything you already know to be true. You'll also meet face to face with all the people at the franchise who you've been speaking with on the phone. These will be your business

partners for years to come and that face-to-face meeting is important. Discovery day is just a couple days away!

In today's reflection, make sure to think about those daily activities of a franchisee and that you are totally comfortable with them. Think about the sacrifices you will have to make in order to get your business off the ground. Maybe you'll have to leave a well-paying job and manage with no income for a while. That is a big deal! Think about the income you need to make this all worthwhile. Do you project that income is probably attainable? A stretch? Easily attainable? Are there any red flags from your franchisee conversations? Now is the time to satisfy yourself they won't be a long-term problem for you.

You've noticed I bring up some of these issues repeatedly. That is on purpose. I cannot stress how important it is that you considered all relevant considerations personally and especially to this business opportunity. Get ready...tomorrow we get back into the business plan and start thinking about Discovery Day (Sometimes called meet the team day)!

## Step 19 – Business Plan Evaluation: Do the numbers work?

In step 13 you created an outline of a business plan. The idea was to get you thinking and sketch thoughts on goals, marketing, budgets, monthly, weekly and daily activities, etc. Now we want to get more focused and further develop this into a real business plan. You want to develop pro forma financials with additional detail to estimate income potential and investment needs. You still don't really need a venture capital level business plan. I did one in college that was an entire semester and ended up at 140 pages! There should be a few pages that put your vision and your plan for success on paper. It is time to focus on you and success points for you and this particular franchise company. You need to begin developing the eye of the tiger and accompanying laser focus on what success looks like for you.

There is business plan software available and templates I can provide you.

*"The successful warrior is the average man, with laser-like focus."*

-- Bruce Lee

However, unless an investor or lender has a format for you, this plan is just for you. There is no right or wrong format. This is your roadmap from today to your vision of success. You can complete it in

any fashion that works for you as long as it helps you see what success looks like and how you will get there.

At this stage, since it is primarily to be a thought provoking roadmap for you, I suggest 2-3 pages of opportunity analysis, plans that overview the franchise operation with their model, your plan for who will do each function required and financial projections for your investment and your pro forma P&L for years 1-5. If you are going for a SBA or other financing, the lender may provide a format for you that they want. In that case, absolutely use theirs.

Once you've developed your plan further, review it with your Mentor and Franchisor to take it a step further. In this step you should really be getting a precise idea of the opportunity and the financials. If there are any holes in the opportunity and the execution plan, they should help you identify them. But the financials probably need the most attention in Step 19. How much do you need to get through start up? How much do you need to carry the business to break even? And how much do you need to carry it until you can cover your personal bills? Where is this money coming from? That needs to be in your plan. If you're covered financially then you are done with step 19.

If you have a shortfall, now is the time to revisit step 14 and get plans in motion and get funding applications

started. The franchisor likely has lenders who have experience with their franchise

The United States Small Business Administration has some good information on business plans here:  
<https://www.sba.gov/starting-business/write-your-business-plan>

opportunity. That can save a little bit of time, but they are not the only one's lending. Your Mentor or franchise Consultant should have contacts as well. There are direct banks, SBA lenders and others who specialize in accessing capital for investment from your retirement funds. Others tap into home equity or liquidate other investments. The take away here should be many options exist and if you are determined, you'll find funding.

## Step 20 – Face the Fears: What will your future life look like?

Today we go beyond “A Day in the life of a franchisee” and discuss realities of start-up; how to get to the lifestyle and making the money in your plan. Doubts, fears and nervousness will appear throughout the evaluation process. That is good. It’s your instincts telling you to be careful. They should keep you sharp and attentive to your investigation of the franchise. But those fears frequently elevate during this stage. At this point the possibility of investing in and starting your business is becoming very real. You know 90% of what you need to know. Logically you should be able to tell yourself

with 90% certainty if this is a good business and if it’s a good fit for you. If you had a concern or fear that was brand, financial, operational or support related, it should have

*“There are two types of people who will tell you that you cannot make a difference in this world: those who are afraid to try and those who are afraid you will succeed.”*

-- Ray Goforth

been addressed by now. And since you moved forward, it should have been addressed to your satisfaction. Those are not the fears we’re talking about.

Everyone has some level of doubt, some friend or family member telling you that you will fail. Everyone has a little “Debbie Downer” in them to borrow from the Saturday Night Live character. What if my business fails? What if I am not cut out to be a business owner? What if.... What if.... This negativity can go on for a long time and become debilitating.

Now, it is true not everyone will succeed and not everyone has what it takes to be a business owner. At various points during this evaluation process you should have had a couple of frank conversations with your Mentor and other trusted advisors. I say frank because they need to be blunt, objective appraisals of your probability of success. They should help you evaluate your skills, personality and background as it translates to business success.

You want to listen carefully because those constructive critiques will help you account for your shortcomings in your business plan. Examples might be an executive with management experience but not necessarily sales experience looking at a business that requires aggressive relationship building. That exec might consider hiring a sales manager. Or, maybe an entrepreneur who never worked in a restaurant, opening a fast-casual restaurant. They will want an experienced restaurant manager on their team. Learn your weaknesses and account for them.

What you do not want to pay attention to, in fact, you want to avoid, is people who are just negative and don’t really offer any valid reasons for being negative. People who do not have the courage or wherewithal to go out on their own do not want others in their circle doing it successfully either. I like to use the analogy of crabs in a pot of water. As it starts boiling, they will actually grab other crabs who are

trying to climb out and pull them back in. Don't let others pull you back into boiling water to keep you on their level.

Other people will throw at you all the different reasons why THEY won't start a business themselves. Do not let them project their issues on to you. Keep those types as far away as you can during this process. I believe everyone has the ability to change his or her life by starting a business. That doesn't mean everyone will succeed. It means if you have the desire to improve your life, the heart to absorb obstacles thrown at you and keep going forward, and you're coachable with the willingness to do whatever it takes to succeed, then I believe you will succeed if you are in the right franchise for you.

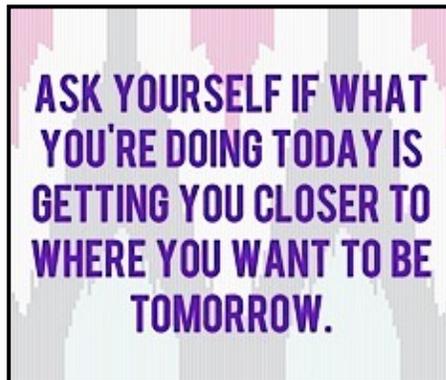
## **Step 21 – Attend Discovery Day or Meet the Team Day at Franchisor’s Home Office!**

A visit to the franchise home office is typically a validation of everything you’ve earned about the opportunity so far. It’s a chance to meet the leadership and support teams face to face. Discovery Day, as it’s usually referred to, is a day or two of meetings and experiences with the brand. You get to see a store or office in action. You’ll learn a few new things but it’s mostly connecting all the dots and preparing you to make a final decision yes or no.

Discovery day is also a time where the opportunity is right in front of you and very, very real. Those fears discussed in step 20 will present again. If they are nervous fears or some second-guessing yourself, that is normal. Set them aside for now and enjoy the experience of Discovery Day. Even if you are awarded a franchise, you should not plan on signing and handing over a check there. If you have that mindset going in, you will be much more at ease about the experience and better able to retain what you learn.

Occasionally you will discover things or confirm things about this franchise company that you had legitimate fears about. As best you can while there, try to pry and understand the issues fully. Press leadership to make you feel comfortable with the issues, how to handle them and how to plan on being successful knowing them. Sometimes, both parties got all the way to this point and just made a mistake. Personalities didn’t come through or one side was not totally honest about things. It clearly is not a match and you go home to start looking elsewhere. If this happens to you, consider yourself lucky. You identified the problem and avoided it before investing large sums of money.

There will also be rare occasions where you feel the franchise is a fit, but they do not. It’s unfortunate and if you believe strongly, you can ask them to reconsider. Generally speaking, though, it is time to move on and consider that one a learning opportunity. Most of you will have a great Discovery Day and use it to launch a partnership with this franchise company going forward. Enjoy the day. Go home. Sleep on it. Take it all in and make a decision!



## The Finish Line: Decision time! Sign your franchise agreement!

You've made it through the entire process...Congratulations! For most of you, this step is simply completion of your process. You have known for a while that you were going forward and were simply validating that decision with each daily step. Some of you had legitimate concerns or fears but got them addressed...maybe as recently as Discovery Day! That in person meeting frequently puts franchise candidates over the finish line.

Of course, every once in a while, someone will get this far and still have reservations. Or perhaps the franchisor does. They still have to award or offer you the franchise before you can accept and sign the franchise agreement. If you just don't feel right after everything you've learned, wait. Or move on. If you decided you don't have what it takes, that is fine. It's better to learn this about yourself before you invest a large sum of money! If you still want to be in business for yourself but don't feel this is the right fit after all, go back to day 8 with your mentor and look at other franchise

companies. He or she will be able to help find other opportunities. This happens from time to time and professional advisors are prepared to help you as long as it takes.

If you were awarded a franchise and are ready to roll, congratulations! This is an exciting time but the real work begins now. Your franchisor will have a process and it is vital to your success that you follow it step by step. Work closely with their real estate team (if it applies to you), the onboarding team and your business consultants. Ask questions and add value but don't look to recreate the wheel.

It's time to begin building your business. Set realistic timelines for yourself and with your franchisor. Double-check your funding and your investment. Review and enhance your business plan as the franchisor provide more and more information, operations manuals, training, etc. Most of all enjoy the ride and stay focused!



## **Work with John: Get Help Starting your Business**

If you'd like to talk to me in more detail about how the franchise evaluation process would work for you, or perhaps if a friend or family member might be interested in starting a business, call me at 918 992 6300. If you prefer, shoot me an email at [John@LakeportFranchiseGroup.com](mailto:John@LakeportFranchiseGroup.com)

Franchising has worked out very well for me. For 4 years now I have worked with people just like you showing them the same methods that I use to evaluate my franchises that I invest in myself. We have operated one award winning franchise for 13 years. We opened and sold a 2<sup>nd</sup> in Las Vegas. For 6 years I worked with corporate leadership on the direction of the brand as a member of the franchise advisory council and President of our Franchise Association. I learned a lot about operating a franchise at the highest level.

In 2019 we opened a 2<sup>nd</sup> franchise entering the men's grooming space. In 2020 we are opening our 2<sup>nd</sup> salon with our plan to open 5 over the next 3 years. I have many years of experience as a franchisee, multi-unit franchisee and multi-brand franchisee... AND I understand the perspective of Franchisors. Very few Franchise Coaches or Consultants can bring that sort of experience and advice to their clients. They have not lived it. I love using that experience to help others achieve their dream.

As I wrote in the book franchising doesn't work out for everyone. I share that downside because for some people the best investment they'll make is to NOT invest in a franchise. While I am a huge believer in franchising, and I know 100% without reservation that it can change lives for the better, starting a business, even with the help of franchising, is not for everyone. To suggest that everyone can be successful in any franchise just by making the investment would be irresponsible. The truth is though, MOST people, with a little direction and a lot of drive, can be successful IF they are directed to a franchise company that has a model, culture and support that match their personality, background, skills and lifestyle needs.

In addition to the information in this book, we also provide a lot of additional information on franchising on several websites:

[LakeportFranchiseGroup.com](http://LakeportFranchiseGroup.com)

[ThatFranchiseGuy.com](http://ThatFranchiseGuy.com)

[DiscoverFranchisingTulsa.com](http://DiscoverFranchisingTulsa.com)

One of our tools is a short self-assessment of your values, skills and franchise compatibility. In 5-7 minutes answering a few questions, you get a good idea about your potential to succeed as a business owner and franchisee. Here is the assessment link: <https://www.zoracle.net/assessment/welcome/lakeportfranchisegroup>.

If you'd like to help evaluating your personal fitness for a franchise and to get some ideas on a match, or if you are franchisor looking for good franchise candidates, I am here to help. I talk to everyone with no obligation or commitment. In fact, I tell

people all the time that I have made more friends in this business who didn't buy a franchise than those who did!

John Anderson

[ThatFranchiseGuy.com](http://ThatFranchiseGuy.com)

[LakeportFranchiseGroup.com](http://LakeportFranchiseGroup.com)

Lakeport Franchise Group, a division of Lakeport Consulting Group, LLC

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# BE THE CEO OF YOUR LIFE

John Anderson is a Franchise Consultant and Founder of Lakeport Franchise Group. He works daily with people just like you helping them change their lives with franchises. Starting in college, John has decades of experience in franchising. He started his first franchise during college in the late 1980's with Student Painters with the franchise in South Pasadena, CA. Since 2006 he has operated the BounceU franchises in Tulsa, OK and Henderson, NV and in 2018 became a Master Franchisee for Knockouts Haircuts for Men opening two locations in the Tulsa market so far. John has been Past President of the BounceU Franchise Association and was a director on the Franchise Advisory Council for 6 years. He currently works with Knockouts Haircuts for Men corporate directing their franchise development.

If you are thinking about making a career change and starting your own business, or perhaps investing in a business on the side, this book is the place to start. John offers practical advices on how to efficiently move through the process of learning about franchises and how to properly evaluate them. You do not want to end up in a bad franchise! He strongly recommends that you find a franchise mentor or at a minimum use the book as one. **"Be the CEO of Your Life!"** is your roadmap to take you from where you are today to becoming your own boss operating your very own business.

Written in a straightforward and casual style, John speaks to you from his years of experience operating franchises. The information is easy to follow, and he exposes all the pitfalls to avoid. Most importantly, he will help you look at yourself and identify businesses that fit your strengths. Some advisors want to tell you that Franchises are not for everyone. John turns that on its head and suggests that anyone can be successful with a franchise business when they are matched with the right one.

John is a huge believer in the opportunity that franchises offer someone who wants to build a better future and is willing to do what it takes. Find out if it's for you! Step 1 is reading the book. See you inside...

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## *About The Author*

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My name is **John Anderson**. I am a native Oklahoman and live in Tulsa today. In between I found California via the University of Southern California where I graduated in business in 1989. I met my wife Melanie soon after and we spent many years in mortgage banking in Orange County. In 2006, we relocated to Tulsa, OK with our young triplets Kiersten, Austin and Nicholas. I have been in franchising since 2006 when we got started with BounceU. We spend a lot of time at our namesake in Lakeport Cove on Grand Lake o' the Cherokees in northeast Oklahoma and we love to travel. I love Angels baseball, USC athletics, Chiefs football, great wine and pretty much all martial arts.

Thanks for taking the time to read my book. I am honored and hope you found it helpful. If you ever find yourself in Tulsa, give me a call and let me buy you a coffee. I'd like to meet you and learn a few things about you.

John Anderson  
January 2020