

Franchise Resales

Good franchise resales rarely hit the open market. Existing franchise owners and other “insider” people see resales before they get listed “publicly”. If it is a good opportunity, then these insiders will typically gobble it up rather quickly. So, you should be cautious about any business that has been listed in the public arena for months.

I have helped several clients invest in a franchise resale. In most cases, these were healthy businesses where we could do our due diligence easily. As a standard practice, I receive resale listings directly from franchise brands and keep my eye out for good opportunities.

Below are 10 resale related tips.

- 1) Do not be rushed by anyone. There is always someone else who is ready to buy the business if you do not move fast enough.
- 2) Make sure you do your due diligence on the franchisor. You should be provided with the latest FDD as a starter. Try to get one that includes all relevant information through the most recent year. You do not want to buy a good franchise unit of a bad franchisor.
- 3) Consider working in the business for a week. Make sure you can see yourself in the business.
- 4) Talk to and meet with all neighboring franchisees. Confirm their revenue, margins, profitability, likes and dislikes, etc. Will you be able to work with the neighboring franchisees?
- 5) Talk to other franchisees in the system. Existing franchisees are more likely than the franchisor to give you the real scoop of the situation, or at the very least will validate the stories you get from the franchisor and the seller.
- 6) Ask the franchisor(s) if they had prior units in that area that have closed. Why did they close?
- 7) Does the franchise have an independent franchise association. This is where franchisees can discuss topics of importance without having to "walk the company line". You may find a great deal of helpful information from the key members of this group.
- 8) Go to the planning/zoning office for that city or county or other municipality and ask for any and all information about future planning for that area. You need to know if there will be any potential external business disruptions such as road work, transit maintenance, destruction of buildings, etc.
- 9) (If applicable) Talk to the other tenants. Make sure you visit current tenants in your strip or community center to see if they are happy, how long they've been in business, etc.
- 10) Check to make sure all assets are in good condition and are current. Will you need to invest in anything to become current with franchisor (i.e., new equipment)?

Helping People Achieve Goals Through Franchise Business Ownership

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