

*Scotland's Number 1 Franchising Solicitors**



Franchising

Key Questions for Franchisees



Wright, Johnston & Mackenzie LLP

*Chambers' Guide to the Legal Profession 2008

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Franchising FAQs for prospective franchisees

Key questions to ask before buying a franchise...

Ask the franchisor:

1. Are you members of the BFA? If not, why not?
2. Must I pay a deposit in advance, and will I get it all back if I decide not to go ahead?
3. Do I have to sign a pre-purchase agreement, a deposit agreement or a confidentiality agreement before I go ahead? Can I see copies first, and can I see the main franchise agreement now too?
4. What are all the costs I will need to incur before opening the business? Are things like training and equipment included?
5. Do you have financial projections for the business? Are they based on actual performance of actual franchisees?
6. What will the training consist of and how long will it last?
7. What are your initial and ongoing franchise fees? How are they calculated? Are there extra levies for other issues like advertising?
8. After I start, how will you continue to support me?
Will you help me with site selection?
9. Can I speak to other franchisees in the network? Am I free to contact any of your franchisees?
10. Can I see the operations manual before signing up?
11. What is the survival rate for your franchisees, and what were the reasons for any failures?
12. Will I get a specific territory? If so, will it be exclusive to me?
13. Are there existing franchisees up and running in areas with demographics like mine?
14. Do you own all the intellectual property used in the business (including trade marks and copyright materials?) If not, who does?

Ask yourself:

- What are your own aims and aspirations for this business: is it a long-term career, or do you plan to run it for a few years and sell it on?
- Have you planned for the financial investment needed to get started? Do you have enough working capital, and a contingency fund in case of emergencies?
- Do you have the temperament for franchising? Go-getting entrepreneurs often don't like being told by a franchisor how to run their business.
- Do you have an independent accountant who can check the franchisor's figures and help you as your business grows?
- Have you had the franchise agreement checked by a specialist franchise lawyer who know the franchising industry?

Remember: franchising is a specialist area, and engaging a lawyer with franchising knowledge can help control your costs and make sure you get valuable and relevant advice. The franchise agreement defines your legal rights and duties under the franchise, so it's vital you understand exactly what you're signing up to.

WJM can help you answer these and any other franchising-related questions. Please feel free to contact our specialist franchising team for more information.

Contact Angus MacLeod: agm@wjm.co.uk

