If you’re interested in purchasing a franchise business you’ve probably been told numerous times to do your research. This is good advice, but please be thorough. Sloppy research is just as bad as no research. This article will provide you with a framework for doing your research.

The best way to learn the truth about something is to gather information from three independent sources. Then look for consistencies or inconsistencies in the information you’ve collected. This process is called ‘triangulation’ and it can be used in many areas of life, including helping you to make an informed decision when choosing a suitable franchise.

Before explaining how to apply triangulation when searching for a suitable franchise opportunity let me share an example of how I use it to make good decisions in an important area of my life.
Putting triangulation into action

When I travel internationally as part of my work, I love to visit music shops and buy second-hand guitars. If I see something in a store I like, first I play it, testing out its sound and checking there is nothing obviously wrong with it. That’s one information source covered.

If it sounds, plays and feels good, next I’ll ask a technical person in the shop for their opinion. I first find out about their experience and knowledge, for example if they play professionally. If I think they know what they’re talking about I’ll then ask for any background information they have on this model and this specific guitar. I might also ask them to have a play on the guitar themselves and give me their opinion as a fellow musician. That’s my second source of information.

Then I’ll search Google for reviews of this particular model, as well as to compare the price in the shop with what’s available online. This third source of information completes my triangulation process.

Good sources of information

There is always good and bad information available on any topic, so you need to be discriminating in what you read and who you listen to. When searching for a franchisor there will be people with a vested interest in influencing your decision, just as there will be opinionated friends and relatives who are well intentioned, but ignorant of the facts.

When seeking out the true nature of a franchise opportunity, there are three sources of information I suggest you pay attention to:

1. The experience of existing franchisees.
   
   You can explore this by asking them specific questions or finding out how they’ve responded to questions in independent franchisee satisfaction surveys.

2. Your own experience.
   
   Pay particular attention to your experience with members of the franchisor executive team and how they behave and respond to your questions.

3. Market research.
   
   This includes the brand, the industry sector it operates in and the territory or site where you are intending to operate the business.

And a word about some not so good sources of information.

Not so good sources of information

Here are three sources of information, which superficially may seem compelling but you need to be slightly sceptical of:

1. What the franchise salesperson says.
   
   This person is likely to have a significant vested interest in signing you up. I’m not saying you should discount what they say, just that you should not rely on this alone as they are obviously going to focus on the positives and play down any negatives. Some franchise sales people pose as independent business coaches. If they are receiving a hefty commission from the franchisor there is no way they can be deemed independent.

2. What you read in the franchisor’s website and sales materials.
   
   This will be carefully written to sell you on the sizzle, such as lifestyle benefits and being part of a well-known brand. Again, it’s not that it isn’t true, just that it’s likely to be biased to portray the best picture possible.

3. What you read in publications and on the internet.
   
   While you may think this is all objective information, most of it has been crafted by people with vested interests to put forward a point of view. PR and marketing people want to paint the franchise in a positive light. Disgruntled franchisees will want to paint the franchise in a negative light. Even independent business journalists can be biased in positive or negative ways. Some journalists are anti-franchising and some are commissioned to write positive franchising stories.

Questions to ask existing franchisees

When talking with existing franchisees always show respect and gratitude for the information that is shared with you. Reward honest, useful comments with sincere thanks, appreciation and a smile. Treat the conversation as a gift rather than an entitlement.

These people will have other priorities in their life than to spend a lot of time talking to you. And many people will naturally be reluctant to share personal and business information with a stranger.

Because some franchisors offer a commission to existing franchisees for referrals, you may want to politely ask if this person will be receiving a commission if you proceed, as this may bias their comments.

That being said, here are some useful questions; after asking each question probe for more information, for instance by saying “Could you tell me some more about that?” or “Why do you say that?”

- “Knowing what you now know, would you purchase this franchise again?” If they say yes, ask why? If they say no also ask why? It may not be the fault of the franchise system. Either way you will learn some useful information.

- “How profitable is the business after considering all your costs?” Explore how this compares with the expectations they had when they went into the business. If this is a retail business, consider the rental they are paying and how this compares to the site you are looking at. Rent is usually a large fixed expense that can have a big impact on profitability.
“Has the franchisor delivered the level of support they promised you?” Also “What does the franchisor provide for you that is most useful and what do you wish they would do differently?” Again, probe why they feel this way.

“What type of marketing support does the franchisor provide to help you attract customers and build local awareness of your business?” Ask specifically about what tools and support have been available and how effective these are. Many franchisors provide effective local marketing tools but expect franchisees to implement these. So if their comments about marketing are negative, explore how much effort this franchisee puts into their own local marketing.

“What do you enjoy most and least about running the business and being part of the franchise network?” Consider how similar this person is to you when assessing their comments for relevance.

“If I were a friend or family member, on a scale of 1 to 10, how likely would you be to recommend purchasing a franchise with this group?” If it is a 7 or below, ask why and what would need to happen for this to be higher. If it is 8 or above, ask them why they are so positive.

**Things to consider about your own experience**

You should have had at least one, preferably two or more meetings with the franchisor team. In these meetings see if you can find out the following information:

- Is there some type of board or group of key advisors to oversee important strategic decisions? There should always be an advisory board to ensure the founder or franchisor leadership team is running the organisation responsibly.

- What type of consultation takes place with franchisees before important decisions are made? Ask them to give you some examples. Some franchisors believe they are all knowing when it comes to making decisions. This is a common source of franchisee dissatisfaction.

- What relevant experience do members of the management team have and how long have they each been with the company? Tenure is a useful indication of franchisor commitment and stability.

- Have any company employees left to buy a franchise? This is an indication of whether they have faith in the business model themselves.

- What plans are there for the future of the network and what is the rationale for these? Consider how clearly they can explain their strategy and how feasible this seems. If this is an established franchise network ask how they are adapting to the changing needs of the market? Also, how are they maintaining the network’s competitive edge?

- What marketing support is provided to franchisees and how is the effectiveness of this measured? This should be consistent with the information you have gained from your separate franchisee research. Also consider the culture and how you feel after meetings with franchisor executives.

- Have they been open and straightforward or do you get the feeling you are not being told the whole story?

- Do you feel clear or confused after your meetings with them?

- Have they been able to back up their claims with facts or have these been largely based on their beliefs and opinions? And has what they have told you been validated from your own research?

- Have they been reliable in following up in their promises or do they come back with excuses for not providing what they said they would?

You need to consider if this is the sort of culture you want to be part of.

**Things to consider about the brand, industry or territory**

When you buy into a franchise business you are also buying into a market and an industry. You should, as much as possible, familiarise yourself with the following:

- Who is the target market for the business and how well known and respected is the brand amongst the target market? The franchisor should have data on this.

- What level of market share have existing franchisees been able to achieve in their local markets? Good franchisors also track this type of information.

- Who are the market leaders in this industry and where does the franchise you are looking at fit? It doesn’t need to be the leader but it should have a clear, unique position that gives it a competitive edge.

- What are the predicted trends for this industry? Is it growing? Is it changing? Consider what this means for you if you come into the business at this stage.

- What are the demographics in the territory or site you are looking at? How does this compare with the target market of the brand? This final question is absolutely critical and is often the main reason why some franchisees perform better than others – they basically have a better location.

- Also carefully consider the rent you will be paying. Is this realistic compared to your expected sales? You should be able to create some sales projections based on the performance of existing franchisees in similar types of locations.

In summary, when choosing a franchise (or a guitar), in fact when choosing the best course of action in almost any area of life, good quality research using the triangulation process is a smart approach. Do this and good luck will be a bonus, not a necessity.

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