



## COMMON MISTAKES MADE WHILE INVESTIGATING A FRANCHISE

This piece is designed to help you investigate Bin There Dump That effectively. It gives you sound advice about how to avoid common mistakes while investigating a franchise.

By reading this piece, you will understand the best way to evaluate—and possibly apply for—a franchise. So, unless you have already found the “the business of your dreams”, we encourage you to study this document and—if at all possible—activate (or reactivate) your entrepreneurial spirit.

Remember, approximately 40% of the retail business in the U.S., covering a huge array of services and products, is conducted through franchised businesses. Franchising is the #1 business format utilized in America...and has been for many years. This format has withstood the “test of time” and currently used by literally hundreds of thousands of individuals to build their livelihoods.

Building a franchise can be a wonderful way of creating an independent income source that “frees” a person from corporate co-dependency. The economic trends in America foster a positive environment for well-designed, well-planned smaller businesses to thrive. Indeed, look around you. You will see many, many people controlling their own destiny by building their own business.

The purpose of this piece is to help you assess if franchising in general—and a particular company—is an avenue for you to consider using to build your livelihood. Study it, use it, and pay attention to what you learn—about yourself and about the businesses you examine.

### WHAT BIN THERE DUMP THAT LOOKS FOR IN A CANDIDATE

One of the **most common mistakes** made by a potential franchise candidate is this:

**ASSUMING that the franchisor is trying to SELL them a franchise.**

We understand how a candidate makes this assumption. We also understand that some companies indeed may take this approach. The better companies, however, make candidates **qualify** to own their franchise. And, the best companies engage seriously in a process of “**mutual due diligence**”. In this process, the company provides information to you about the business and simultaneously scrutinizes your application to make sure there is a strong **MATCH between** your objectives/ capabilities/ resources/background/personal situation/desires **and** the offerings/financial requirements/professional activities of the franchise. Look for companies that **AWARD**, not **SELL**, franchises.

**If you are not required** to fill out forms, provide information about yourself, answer a lot of questions, and in general demonstrate that you have the desire and requirements to build a particular franchise, **be very cautious** about the opportunity. And the reverse is true, i.e., when a company asks you to fill out a form or two, if you would like to get more information in return about the company, it is best if you comply with this request.

Also, DO NOT ASSUME that THE # 1 CRITERION used by a franchisor to evaluate a candidate is “How much money a candidate has NOW in their bank account”. Certainly a person has to have access to the funds necessary to be awarded and to build the franchise they are investigating. Money is NOT the single most important criteria...at least for a good franchisor. Instead, the franchisor looks for these traits: integrity, honesty, successful track record in previous endeavors, strong work ethic, “people oriented” personality, a willingness to follow a proven system, and other characteristics that illustrate a candidate’s ability and desire to build a successful business.

A franchise company does not succeed unless its franchisees succeed. Hence, the good companies investigate their candidates as much as candidates investigate the company.

**SUGGESTION:** Be prepared to demonstrate to us that you have the qualifications to build their franchise. In particular, show the franchisor that you have the ability and willingness to learn their system. Learn a lot and ask many questions.

### WHAT A CANDIDATE SHOULD LOOK FOR IN A FRANCHISOR

Another common mistake made by franchise candidates is this: They assume that **all** franchise opportunities are valid, profitable, and “approved” by somebody, i.e., a governmental agency who ensures their integrity, money-making capacity, and overall success. This assumption is simply not true. The marketplace makes these decisions.

You ALWAYS have to do your homework. Make sure there is a solid match between your needs, goals, and situation and the offerings of the business you are investigating. There are over 1,500 franchise companies in the U.S. Every one of them is different, in terms of :

- ✨ The opportunity they present;
- ✨ The trends in the market for the goods and services provided by the franchisee;
- ✨ The complete financial relationship between the franchisee and the franchisor;
- ✨ The level of investment required to purchase and TO BUILD the business;
- ✨ The company’s honesty, integrity, and ethics;
- ✨ The leadership of the company;
- ✨ How long they have been in business;
- ✨ The happiness among their franchisees;
- ✨ The legal track record of the company;
- ✨ The income-producing ability of the franchised business;
- ✨ The hours required to build the business, etc.

You should “check out” all of these aspects of the business you are investigating, and any other aspects that are important to you.

**If a company avoids helping you investigate a particular aspect of their business, move on to your next choice.** Expect openness, honesty, and forthrightness from a franchisor. Expect long phone calls regarding training, day-to-day activities of franchise owners, ongoing support from the home office, etc. Also, LEARN THE STEPS IN EACH COMPANY’S INVESTIGATION PROCESS, and DO THEM. “Short circuiting” this process will NOT get you a franchise earlier, easier, and perhaps not at all.

A crucial step is talking with existing franchise owners, AFTER you have learned the basics of how the business works. Premature discussions with franchise owners often lead to disjointed and unproductive discussions. Most likely you will only get “one shot” at talking with a particular owner, so be prepared and make it count .

## **1. KEEP YOUR INITIAL DREAM BURNING BRIGHTLY**

Perhaps the saddest situation for franchisors to watch is this: people giving up on themselves... sometimes before they even get started in the investigation process.

Far too often, bright, energetic, and talented individuals begin to investigate franchises, all filled with enthusiasm, energy, high ideals, a desire to be their own boss, etc. Then a few days, weeks, or months later, they quit investigating. Something happened to derail their desire to overcome the problems they cited earlier. What happens?

Perhaps they think “because I don’t have the necessary capital in my bank account, I can not buy a franchise.” Or, they conclude, “This is not a good time right now...I have to do...whatever...instead”. Or, they are concerned what others might think of them...or they get nervous about leaving the “security” of their job and a weekly paycheck. The reasons are many, and it only takes one to stop a potentially rewarding investigation.

Unfortunately for many of these individuals, they did not ask the franchisor or the consultant about how their “perceived problem” or situation might impact their ability to build the business being investigated. Don’t be afraid to ask. No solid franchisor wants to accept a person who they believe is not going to succeed. If you have situations, talk about them.

Remember, when you investigate a franchise, you are also investigating your dreams.

**SUGGESTION:** Do NOT stop investigating a particular franchise opportunity UNLESS you are **positive** that the obstacles you perceive are actually valid. Many times a perceived problem can be overcome.

## **2. DO NOT CONFUSE “GETTING INFORMATION” WITH “MAKING A COMMITMENT”**

Sometimes a candidate will stop investigating a franchise opportunity, because they somehow feel that getting more information commits either them or the company to “completing the transaction”. Objectively this makes no sense....does it? How is a person and a company supposed to honestly evaluate each other without exchanging information about each other? It is impossible.

Good franchise companies do not view the dissemination of information as a criterion for accepting a candidate. Getting and sharing information is simply a wise thing to do. A franchisor needs information about a particular candidate to help evaluate the degree of match between the business and the person.

Remember, nothing happens until both parties authorize a franchise agreement. Up to that point, everything is preliminary analysis. The Federal franchising laws are very strict and protect individuals from making a commitment without doing their homework.

**SUGGESTION:** “Turn over all the rocks”. Get all the information you can. Share information about yourself with the company you are investigating. They need to know as much about you as you know about them. Would you want a company to erroneously award you a franchise that does not match your objectives, desires, capabilities, or interests? We think not.

## **3. GET OUT FROM BEHIND YOUR COMPUTER!!!!!!**

Far too many people think they can investigate a franchise “on-line” and don’t make the effort to “get out from behind their computer” and talk with people (e.g. franchise owners, representatives from the company’s home office team, independent consultants, etc.) Even computer-oriented companies, like computer moms®, look for candidates who 1) take the time to learn the steps in their qualifying and applying process and 2) talk with people “the old fashion way”, i.e., via the telephone and in person. Why? Because most business in America still relies on successful personal communication.

**SUGGESTION:** Ask the respective companies that you are investigating to outline the qualifying and application process for investigating their franchise and then FOLLOW THE STEPS THEY SUGGEST! You will learn more and you will make a positive impression.

## **4. INVESTIGATE POTENTIAL “PROBLEMS” CAREFULLY AND THOROUGHLY**

During the evaluation process, some type of “problem” within the business may surface. For example, an existing franchisee may cite “Problem X” with the home office. In such a case, attempt to validate “Problem X” by asking other franchise owners and the home office about it. Don’t cite franchisee names, but ask the question. Often candidates will find that others do not commonly share the same experience as one franchisee, or that the home office may offer a different perspective. If you find that several franchisees validate “the problem”, then you have something to discuss with the franchisor.

**SUGGESTION:** Evaluate! Evaluate! And then evaluate some more! Talk with more than one existing franchisee within a company. Take notes. Pay attention. Discuss any concerns or questions with the franchisor. Sometimes the franchisees do NOT have a complete perspective on a particular topic.

## **5. VISIT THE HOME OFFICE...if the opportunity is available!**

Many franchise companies offer some type of “Discovery Day”. During these programs, qualified candidates are invited to participate in a 1-2 day program that does several things, including: introduces the home office support staff, describes the franchisee support programs, allows for two-way question and answer period, and typically includes an in-depth interview with one or more corporate officers.

Most franchise companies do not consider a person a serious candidate, until they invest the time (and money) to visit the home office. Again, the awarding of a franchise by a solid franchisor is a two-way process.

Legally you cannot sign a franchise agreement until you have had it in your possession for at least five business days, according to Federal regulations. Some franchisors send you a completed franchise agreement in advance of the Discovery Day and, if approved, you may elect to execute the agreement while there, but this is not a requirement. You may decide to take the information and materials home and “mull it over” for a few days. While you are doing so, most good franchise companies are “mulling over” your application. Attendance at a Discovery Day does not guarantee your acceptance. It only provides the opportunity for both you and the company to visit face-to-face.

**SUGGESTION:** Take full advantage of a company’s Discovery Day program, even if you have to pay for the whole trip yourself. Some companies share the travel costs.

NOTE: Some excellent companies make arrangements for a candidate to learn their business “in the field” instead of during a Discovery Day. This mechanism works fine, as long as you get the information you need.

## **6. DO NOT RUSH INTO THE PURCHASE...YET, DON’T DAWDLE EITHER**

Typically you should plan on investigating a business for 30-60 days, perhaps longer. Give yourself adequate time to complete all of the qualification/investigation steps. Set a goal and work on the process daily until it’s completed. Include the following steps:

- ✨ Complete the requested forms for information about you (NOTE: this is the best way to receive the information about the company in return);
- ✨ Read company brochures, materials the uniform offering circular (UFOC);
- ✨ Continue to make a list of your questions as you investigate;
- ✨ Discuss your concerns and questions with the company representative and other consultants of your choosing;
- ✨ Research the market for the product or services within your area;
- ✨ Make arrangements to talk with other franchisees;
- ✨ Attend a Discovery Day,
- ✨ Determine the specific steps next for a mutual decision on your part

and on the part of the franchisor.

**At the same time, don't stretch out this process unnecessarily long!** The company will likely think you are not a good investigator and perhaps not a good decision maker. They want you to be both. A "Stop and Go"... "Stop and Go again" investigation is not the best, unless you have a good reason, such as a family or medical situation arising during the process. Also, if you wait until you need 100% of the information, you most likely will NEVER become a franchise owner...because seldom do we have all the data we would like to have when making a career or business investment decision.

**SUGGESTION:** Keep a steady pace to your investigation. And, stay in touch with the company representative to keep him/her informed of the status of your investigation. If you want to move forward to the next step...tell them. If you plan to terminate your investigation...tell them. Don't leave anyone "hanging". This creates a very negative image of you within the company. Organize your investigation into a logical process that includes input from several data points...efficiently.

## **7. ASK YOURSELF A LOT OF QUESTIONS ABOUT YOU**

Here are nine questions that you should ask yourself when investigating a franchise:

1. WHAT am I looking for in a business? WHY am I investigating owning a business?  
What expectations do I have for a business? For myself?
2. Would I enjoy performing the activities and services conducted by the franchisees on a daily basis, including....., ....., ....., .....etc.?
3. Can I build equity by building this particular franchise?
4. Can this franchise be built by two or more people or by a family?
5. Is the income earning potential in the range I am seeking?
6. What aspects of this business do I like? What aspects do I not like?  
(Use the Ben Franklin technique of evaluating.)
7. Would this business give me not only the income I seek, but also the flexibility to enjoy the non-business components of my life, such as my family, hobbies, and other personal endeavors?
8. How will I finance the purchase of this business? Do I need to borrow the investment? If so, do I know how to go about obtaining business start-up funds?
9. Lastly... would I have fun building this franchise?

Study/Observe the day-to-day, week-to-week activities of the existing SUCCESSFUL franchise owners and ask yourself, "Would I like to do that?". Your happiness over the time you build this franchise will be derived from a variety of factors, including the level of income produced, the nature of the work involved, the time requirements/constraints imposed by the business, the ability to build equity and someday sell the business for a profit, etc.

Don't just look at the income-producing potential. Certainly try to ascertain if you can make the level of income you are seeking. (REMEMBER: Federal franchising laws are very strict about what a company can and cannot say about the income-producing potential of a franchise. Most often you will have to "piece it together" by getting information from more than one place, including the UFOC and talking with existing franchise owners.)

**SUGGESTION:** Make sure there is a good fit between you and the business from a variety of perspectives.

For many individuals, owning a franchise is the proverbial “golden opportunity”. It is exactly the right vehicle for them to achieve their dreams, goals, objectives, and ambition. To examine the match between you and a franchise: Assume nothing. Ask questions.

## **8. BE CAREFUL TO WHOM YOU LISTEN AND FROM WHOM YOU SEEK ADVICE**

This is America. Every one of us bright-eyed, individualistic, intelligent, proud Americans have one common trait, i.e., “We believe we know everything”. Myself included. Just ask me!

Too often, candidates take advice from well-intended individuals who know nothing about the business they are investigating. There is an old adage, i.e., “Check the fruit on the tree”, meaning make sure the person to whom you listen knows what they are talking about.

Sometimes advisors have different agendas than your own. They may be naïve of the subject of franchising. Or, they may have an ego that for whatever reason will not admit their lack of knowledge. And, because a candidate respects the “advisor” in some other capacity of their life, the candidate naturally assumes that the “advisor” is an expert in evaluating this business. Often this misplaced confidence leads to a candidate’s dream being destroyed.

Also remember that starting any business takes courage and represents a certain amount of risk. Many people who care about you, will take the most cautious route when giving advice, it is human nature. This is why “most” only dream about owning their own business one day. Seek advice that will give you a proper balance when making decisions.

**SUGGESTION:** Select your advisory sources carefully.

## **9. STAY POSITIVE AND STAY OBJECTIVE**

A fatal mistake candidates sometimes make is “getting down” on themselves, the investigative process, or the franchise they are investigating. They let negative “feelings” distract them from objective analysis. Perhaps they get a “blast of cold air” from a friend, spouse, or other relative that dampens their enthusiasm or their inner drive. Perhaps the demands of their current job increase dramatically and derail their investigation.

It is all too easy to get distracted and settle back into a mundane routine of mediocrity. Some, slip back into settling for what they’ve always done, even if they are not happy doing it, because of the fear of change or uncertainty. Those who press on realize that these feelings are normal and that only by moving forward can they sort out the risks versus the rewards of business ownership, through franchising.

**SUGGESTION:** Stay true to your original intentions, stay objective in your analysis, and stay positive in your attitude.

## **10. CHECK OUT SOURCES OF FINANCING**

The world is full of money. There is no lack of investment funds in America, especially today. If you have the money necessary to build the franchise of your choice, GREAT! If you do not, do not despair. Instead, go find the funds. There are several sources to consider. Most people who buy franchises, borrow the money to do so.

Obviously banks are a major source of business loans. DO YOURSELF A FAVOR! BEFORE you race down to your friendly, local banker and state, “I am here to apply for a new business loan.”, talk with your franchise consultant or company representative. They can help guide you through the process of obtaining the necessary funds.

Most bankers are not, have not, and will not ever be a business owner. Further, most bankers simply do not understand franchising, and they all assume that most businesses fail. Therefore, learn more about

financing a franchise, BEFORE you saunter into your local bank branch office and naively demand a business loan. Banks will typically require you to collateralize your loan, meaning they will want to “put up” enough assets, such as your home, to ensure the loan gets paid back. They also will check your credit rating.

The Small Business Administration (SBA) is a federal agency that guarantees business loans (up to 75%) and works closely with local banks. (NOTE: The SBA can be difficult to get through. Again, talk with your franchise consultant and possibly your banker before you get too excited about this source of loan guarantee.)

In some areas, states and local government agencies help finance new business start-ups. Many franchisees obtain loans for family and friends. Others seek out other sources.

Some, not many, franchise companies offer to help finance the initial franchise costs, especially in those companies involving large initial investments.

**The point is this:** Many times, the necessary investment capital can be found, if you do not currently have it in your bank account. Keep looking.

**SUGGESTION:** Talk with your franchise consultant or company representative before talking with your banker. Consider ALL possible sources of financing for a franchise. Don't overlook family and friends as potential investors or “silent partners”. Don't quit early, just because you do not have the money in your possession today. Not everybody qualifies to obtain the amount of capital they need to start a given franchise. Sometimes an individual has to select another choice that they can afford.

## **11. DO NOT QUIT AND DON'T GET SNIOP'ED**

The only “surefire” way of NOT achieving your objective (finding a franchise that meets your needs) is to stop investigating. Yes, its true that a particular company may not accept you, but if you really believe a particular franchise is “just right for you”, be persistent. Keep “going for it”. Even if a company turns down your initial application, find out what you need to do to be accepted. Typically you can make the necessary changes, if you want the business badly enough.

Also, don't get SNIOP'ed, as Zig Ziglar would say. SNIOP stands for being “susceptible to the negative influence of other people”. Stand your ground. Do your OWN investigation. We all know a lot of people who indeed “stuck to their original mission”, built a successful business, and gained the respect of their family and friends who originally suggested that they not move forward. These persistent individuals are some very happy people.

**SUGGESTION:** Stay the course.

## **CONCLUSION**

Is this your year to begin a new career”? Are you willing to investigate franchised businesses as a possible vehicle to build that new career? If so, we hope these suggestions help you during your investigation process. You may already have heeded the advice in this document and purchased another franchise. If so, congratulations! We hope you chose well, and we wish you all the very best.

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