

## **Franchise Business Informational**

Hi I'm Doug Lubic. I'm a shareholder with the Wilentz firm practicing in corporate and transactional matters. Franchise businesses can provide a means for new or inexperienced business people to jump start a successful business and work for themselves.

It's not a foolproof means, however. Not every franchise will become a new McDonalds. Before committing to a franchise business you must ask many questions and think very carefully about the answers. Franchises are not consumer products and you cannot assume that they are safe and effective. The rule here is *caveat emptor*, let the buyer beware. As a prospective franchise owner you'll receive a disclosure statement that describes the relationship between the franchisor company and its franchisees. Although it looks official and may be filed with the government agency, the government has not approved the franchise or certified it as safe and effective. The disclosure statement provides you with information about the franchisor company and its franchisees, but it is also a sales document designed to sell the franchise to you. You should go beyond its pages before making your decision. Ultimately the relationship between the business owner and the franchisor is determined by the franchise agreement, not the disclosure statement.

Consider these points:

Industry – Is the franchise a type of business that is not well represented in the local market or is there a lot of existing competition.

Exclusive area – How close to your location can other franchises be placed? Will they affect your franchise's viability or its profitability?

Personal liability – What are your personal obligations if the franchise business does not succeed? Do you have assets other than those you are using to start the franchise business? You must consider what happens to you and your family if the business is not successful.

Finances – What are the fees and royalties? Will you need to borrow money to set up the franchise? It helps to have an accountant or other knowledgeable person assist you with a business plan before making your decision.

Support – If you have business difficulties, will the franchise company help you? It is wise to ask other franchise owners about their experiences.

Location – Do you feel the location is the right one? Franchise companies often make location decisions based on demographic data and may not have on-the-ground knowledge about the location. Is the lease fair? Is it extendable? Is it transferrable in the same manner as the franchise itself?

The apparent benefits of a franchise business can be lost in the details of the franchise agreement. We can provide you with the necessary knowledge to make an intelligent decision that you will not regret in future years. If you have any questions about franchise businesses or franchising, please feel free to give me a call at (732) 855-6408 or email me at [dlubic@wilentz.com](mailto:dlubic@wilentz.com). Thank you.

