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Welcome to Franchise Giant

Welcome to the Franchise Giant Franchise Opportunity Directory. Whether it's a home-based business, a retail store or a chain restaurant, Franchise Giant is your complete online franchising resource. Simply browse through our new business franchise opportunity directory, search our franchise opportunity database of available franchises, or take the find a new Franchise Quiz for a list of franchise opportunities ideally suited to your franchise business ownership specifications. With Franchise Giant's directory of new business franchise opportunity consultants, franchise ownership attorneys and new franchise opportunity funding resources, Franchise Giant has everything entrepreneurs need to get started in the world of franchising today. Find your new business franchise opportunity and start your new franchise business with Franchise Giant.

Free Financial Analysis

A crucial step in finding your perfect franchise is understanding your financial resources.

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Take the Franchise Quiz

This test will help you to clarify what franchises are best suited to your needs.

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New Franchise Opportunity Spotlight

Planet Beach Franchise Opportunity Retail Tanning Salon

Area Developer and Franchise Opportunities with Planet Beach Franchising Corporation. Planet Beach has a geographically limited number of new business franchise opportunities available to new franchisees. Are you seeking to own the exclusive rights to sell and service new Planet Beach® Franchise Location within a specific territory?



[Read More About Starting a New Planet Beach Franchise>](#)

Great Clips Franchise Opportunity Retail Hair Salon

Great Clips Hair Salon franchise opportunities are available now. Great Clips Hair Salon franchises are primarily located in strip malls and retail shopping centers. Great Clips hair salon franchises are open evenings and weekends and require no appointments. Each Great Clips Franchise location features a nautical-motif hair salon environment designed for customer comfort, privacy, and is served by professional hair stylists who receive advanced training at one of the 56 Great Clips Hair Salon training centers throughout the national Great Clips franchise opportunity system.



[Read More About Starting a New Great Clips Franchise>](#)

New Business Franchise Opportunity Franchising News

Accepting Franchise Opportunity Funding From Family: A Recipe for Disaster?

By **RAYMOND HENNESSEY**

Friends and family might be good for summer barbecues, but they can cause havoc when they help fund your new business franchise opportunity. Entrepreneurs typically use so-called friends-and-family franchise funding in the early stages of starting a new business or a new franchise.

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About Franchise Giant

America's Leading Franchise Opportunity Marketplace

Franchise Giant provides detailed information on a wide range of new business franchise opportunities. Visit our franchise opportunity directory that includes a variety of business and franchise opportunities, franchising information and ownership details on the most popular franchises available in North America. Start your new business and build equity with our proven new franchise operational business advice and franchising guidance. Take our free find a new franchise quiz

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Franchises for the Family



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and locate the top franchise opportunities, search our [free franchise opportunity directory](#) providing details and free information on any available franchise opportunity.

Find the new business franchise opportunities that best meet your franchise business ownership needs. Welcome to Franchise Giant, we have everything prospective franchisees need to find their new business franchise opportunity, start their own new business franchise and enter in to the exciting, fast paced, lucrative world of franchising.



How to Research a New Business Franchise Opportunity

Protect yourself by learning what a new business opportunity really is, how the government regulates new businesses including franchises, and the proven business ownership steps required to ensure successful new business ownership. Find new franchise, review available franchise opportunities and get started in owning a new business.

Just what is a new business franchise opportunity? That question has plagued a great many people trying to decide whether to buy a current independent business, a franchise, or what we'll refer to in this text as a new business franchise opportunity.

To allay the confusion, we offer a simple analogy. Think back to elementary school when your teacher was explaining the difference between a rectangle and a square. A square is also a rectangle, but a rectangle isn't necessarily a square. The same relationship exists between business opportunities, independent businesses for sale and franchises. All franchises and independent businesses for sale are business opportunities, but not all business opportunities meet the requirement of being a franchise nor are they in the strictest sense of the word independent businesses for sale.

Making matters even more confusing is the fact that 26 states have passed laws defining business opportunities and regulating their sales. Often these statutes are drafted so comprehensively that they include franchises as well.

Not every state with a new business franchise opportunity law defines the term in the same manner. However, most of them use the following general criteria to define one:

1. A new business franchise opportunity involves the sale or lease of any product, service, equipment, etc. that will enable the purchaser-licensee to begin a business.
2. The licensor or seller of a new business franchise opportunity declares that it will secure or assist the buyer in finding a suitable location or provide the product to the purchaser-licensee.
3. The licensor-seller guarantees an income greater than or equal to the price the licensee-buyer pays for the product when it's resold and that there is a market present for the product or service.
4. The initial fee paid to the seller in order to start the new business franchise opportunity must range between \$400 and \$1,000.
5. The licensor-seller promises to buy back any product purchased by the licensee-buyer in the event it cannot be sold to the prospective customers of the business.
6. Any products or services developed by the seller-licensor will be purchased by the licensee-buyer.
7. The licensor-seller of the new business franchise opportunity will supply a sales or marketing program for the licensee-buyer that many times will include the use of a trade name or trademark.

The laws covering new new business franchise opportunity ventures usually exclude the sale of an independent business by its owner. Rather, they are meant to cover the multiple sales of distributorships or new businesses that do not meet the requirements of a franchise under the Federal Trade Commission (FTC) rule passed in 1979. This act defines new business offerings in three formats: new package franchises, new product franchises and new new business franchise opportunity ventures. ([...to learn more about the rules and regulations for franchise and new business opportunities according to the federal trade commission, visit the Federal Trade Commission's New Franchise Opportunity Guidelines](#))

In order to be a new new business franchise opportunity venture under the FTC rule, four elements must be present:

1. The individual who buys a new business franchise opportunity, often referred to as a licensee or franchisee, must distribute or sell goods or services supplied by the licensor or franchisor.
2. The licensor or franchisor must help secure a retail outlet or accounts for the goods and services the licensee is distributing or selling.
3. There must be a cash transaction between the two parties of at least \$500 prior to or within six months after the licensee or franchisee starts the business venture.
4. All terms and conditions of the relationship between the licensor and the licensee must be stated in writing.

You can readily see that the sale of business opportunities as defined by the FTC rule is quite different from the sale of an independent business. When you're dealing with the sale of an independent business, the buyer has no obligations to the seller. Once the sales transaction is completed, the buyer can subscribe to any business operations system he or she prefers. There is no continued relationship required by the seller. new business franchise opportunity ventures, like franchises, are businesses in which the seller makes a commitment of continuing involvement with the buyer.

The FTC describes the most common types of new business franchise opportunity ventures as follows:

- **Distributorship.** Refers to an independent agent that has entered into an agreement to offer and sell the product of another but is not entitled to use the manufacturer's trade name as part of its trade name. Depending on the agreement, the distributor may be limited to selling only that company's goods or it may have the freedom to market several different product lines or services

from various firms.

- **Rack jobber.** Involves the selling of another company's products through a distribution system of racks in a variety of stores that are serviced by the rack jobber. Typically, the agent or buyer enters into an agreement with the parent company to market their goods to various stores by means of strategically located store racks. The parent company obtains a number of locations in which the racks are placed on a consignment basis. It's up to the agent to maintain the inventory, move the merchandise around to attract the customer, and do the bookkeeping. The agent presents the store manager with a copy of the inventory control sheet which indicates how much merchandise was sold, and then the distributor is paid by the store or location which has the rack-less the store's commission.
- **Vending machine routes.** Very similar to rack jobbing. The investment is usually greater for this type of new business franchise opportunity venture since the businessperson must buy the machines as well as the merchandise being vended, but here the situation is reversed in terms of the pay procedure. The vending machine operator must pay the location owner a percentage based on sales. The big secret to any route deal is to get locations in high-foot-traffic areas, and of course, as close to one another as possible. If your locations are spread far apart, you waste time and traveling expenses servicing them.

In addition to the three types of business opportunities listed above, there are four other categories you should be aware of:

- **Dealer.** Similar to a distributor but while a distributor may sell to a number of dealers, a dealer will usually sell only to a retailer or the consumer.
- **Trademark/product licenses.** Under this type of arrangement, the licensee obtains the right to use the seller's trade name as well as specific methods, equipment, technology or products. Use of the trade name is purely optional.
- **Network marketing.** This is a generic term that covers the realm of direct sales and multilevel marketing. As a network marketing agent, you would sell products through your own network of friends, neighbors, co-workers and so on. In some instances, you may gain additional commissions by recruiting other agents.
- **Cooperatives.** This business is similar to a licensee arrangement in which an existing business, such as a hotel or hardware store, can affiliate with a larger network of similar businesses, often for the sole purpose of advertising and promoting through a common identity.

The FTC Rule, which has been in effect since the latter part of 1979, has had a broad-ranging impact on the franchise and new business franchise opportunity industry and would-be franchisees and licensees. The rule is designed to assure all prospective buyers, of either a franchise or new business franchise opportunity, that they'll receive a full disclosure containing the type of background information needed to make an informed investment decision.

In spite of the FTC's rule and aggressive action at the state level, there are sellers who seek every possible means to escape regulation. Neither the FTC rule nor state regulations can guarantee freedom from fraud. That's why you should pay especially close attention to the FTC disclosure statement that is presented to you.

Every prospective buyer of a new business franchise opportunity must receive the FTC disclosure statement at least 10 business days before signing a binding contract or paying money (or other consideration) to the seller. The 10-business day requirement is minimal. If you meet face-to-face with the licensor or a representative to discuss a proposed sale or purchase of the new business franchise opportunity, and if the conversation results in a serious sales presentation, the licensor must provide you with a disclosure document at that time.

If you haven't received an FTC disclosure document, don't sign anything or pay out any money, even if claims are made that it is "refundable."

If the seller doesn't give you a disclosure document, they're violating federal law and may also be violating state law. If the salesperson claims his or her offering is exempt from the FTC requirements, demand to see an opinion letter from counsel before dealing with them any further. Also ask the salesperson for the phone number of the local state agency or FTC office that has advised them they are exempt. Very few new business franchise opportunity offerings are exempt. The only major exceptions are those where the total initial payment within the first six months is less than \$500, or where payment is made only for initial inventory sold at bona fide wholesale price.

As a rule of thumb, a franchisee receives more support from the parent company, gets to use the trademarked name, and is more stringently controlled by the franchisee. New franchise business opportunities, on the other hand, don't receive as much support from the parent company, generally aren't offered the use of a trademarked name, and are independent of the parent company's operational guidelines.

As we've previously noted, there are numerous forms of new business franchise opportunity ventures. Some are even turnkey operations similar to a lot of package-format franchises. These business opportunities provide everything you could possibly need to start a business. They help you select a location, they provide training, they offer support for the licensee's marketing efforts, and they supply a complete start-up inventory.

Unlike a package-format franchise, however, these types of new business franchise opportunity ventures aren't trademarked outlets for the parent company. The company's name, logo and how it's legally operated are left solely to the licensee. Many times the only binding requirement between the seller and the buyer is that inventory be purchased solely through the parent company. Of course, all these stipulations are outlined in the disclosure statement and contract.

- **Requires a lower initial fee than a franchise.** Although the number of low-investment franchises has increased, the fee to get into a new business franchise opportunity is still considerably lower. The FTC requires a \$500 minimum investment for an opportunity to be considered a new business franchise opportunity, but there are many that fall under this set fee, although most average around \$2,000 to \$3,000.

- **A proven system of operation or product.** Existing systems serve to maximize efficiency and returns and minimize problems. It's simply a matter of passing on experience, still the best teacher. Whether they admit it or not, most people like having their hands held once in a while. During crises, the parent company is there to help the licensee over the bumps. Many people like this idea of safety in numbers.
- **Intensive training programs.** In any new business, a lot of time and money are consumed during the learning period. A good new business franchise opportunity venture can eliminate the majority of ineffective moves through an intensive training program.
- **Better financing options.** Because of its financial size, credit line and contractual agreements, the parent company offering the new business franchise opportunity can often arrange better financing than an individual could obtain. Financial leverage is an important consideration in any investment situation.
- **Professional advertising and promotion.** Most small businesspeople don't spend sufficient money on advertising. When they do, their efforts are often poorly conceived and inconsistent. Many new business franchise opportunity ventures supply the buyer with print advertising slicks, radio ads, TV storyboards, etc., in order to provide a better marketing effort. Some new business franchise opportunity ventures will even have a cooperative advertising agreement under which they will split the cost of print, radio or TV ads. This type of marketing help is especially beneficial in large metropolitan areas where the cost of media is prohibitive to the one-shop owner.
- **Ongoing counseling.** Most new business franchise opportunity ventures offer support not only through training but also through counseling from a staff of experts who offer assistance that no independent could afford. Legal advice is available to a certain degree. The most efficient accounting systems?perfect for that particular business?have been designed by experts in the field. Some licensors offer free computer analysis of records, and through comparison with other units can pinpoint areas of inefficiency or loss as well as profitable aspects of the business that are being neglected.
- **Franchise Site selection assistance.** Experts in site selection and marketing choose locations using all the scientific tools available. Professional negotiators arrange leases and contracts to the best advantage, using the power of a large organization to influence landlords and other important figures.
- **Franchise Business Purchasing power.** Many times, the parent company's tremendous buying power and special buying techniques can bring products, equipment and outside services to the licensee at a much lower cost than an independent could ever get.
- **No ongoing Franchise royalties.** In a new business franchise opportunity, unlike in a franchise, there are no ongoing royalties to pay to the seller. The profits are all yours.

Under ideal conditions, business opportunities are a good, low-investment way to get into business with minimum risk and a good chance for success. But nothing in this world is perfect, so here are some problems that can be expected:

- **Poor Franchise site selection.** The majority of business opportunities are consumer-oriented retail operations which rely on good location, visibility and easy access to the establishment. Most buyers of business opportunities casually accept the locations chosen for them. DON'T! Look it over thoroughly yourself. You might even hire an outside marketing consultant to evaluate and possibly argue with the parent company's choice. Having a better locations could literally mean millions of dollars in profit over the course of 20 years.
- **Lack of ongoing Franchisee support.** There is usually no requirement for the new business franchise opportunity seller to offer ongoing support of any kind. If the seller decides not to supply information or guidelines that could help you once you're in operation, you may not have much recourse available to you.
- **Franchise Exclusivity clauses.** Are you restricted to selling only the manufacturer's merchandise? If this is the case and you deviate for any reason whatsoever, you run the risk of the licensor canceling the agreement. If you do buy from other sources, it will be very hard to hide?most parent companies will require you to open your books for examination at pre-designated periods of time. Any irregularities will be spotted at these times. Most smart buyers of business opportunities will negotiate the point in the agreement stipulating sources of supply in case product quality is inconsistent.
- **Franchise Parent-company bankruptcy.** Another pitfall is the possibility of the parent company overextending itself and going bankrupt. While this is not as serious in a new business franchise opportunity as it would be in a franchise, you still run the risk of losing the business because your property contracts may have been financed through the parent company.

You should carefully investigate any new business franchise opportunity you're considering. Get a list of operators from the parent company and call them. Have a lawyer look over any agreement drafted by the parent company. Make sure you receive a disclosure statement. Then carefully evaluate the licensor. Don't let anyone hurry you. Make sure a responsible company backs the new business franchise opportunity.

First make sure your new business franchise opportunity of choice complies with all new

business franchise opportunity statutes--which vary from state to state--and is registered in states where required. Next, find out if the new business franchise opportunity you're interested in provides an offering prospectus to buyers. If it's a new business franchise opportunity that falls under the FTC rule, then it's required to disclose specific information to you.

When choosing a new business franchise opportunity, keep in mind that if you buy an opportunity from a company with a sizable number of outlets that's been in business for at least three years, you'll pay more for this established concept that you would for a newer one. If you're considering a more recently established new business franchise opportunity, you should check out the parent company's history to evaluate its success and longevity in its particular field of operation.

If you were to ask a business consultant how to evaluate the "right" new business franchise opportunity for you, you would probably receive these guidelines:

1. Make an honest evaluation of yourself and your franchise ownership abilities. If you've been behind a desk for many years, will you be happy calling on businesspeople and selling them an intangible service? If you've been a field salesperson for years, will you be satisfied selling snack foods behind a counter?

2. You must run your new franchise business enthusiastically. Will you be happy introducing a new product or an unusual service that the public knows nothing about? Can you generate excitement for an item not nationally advertised?

3. You must have complete knowledge of the franchise product or franchise service with which you are involved. If the parent company gives you little or no training in technical or management know-how, be wary of the new business franchise opportunity. If the licensor-seller has organized all the operating knowledge into a standard operating manual, look with favor upon this new business franchise opportunity.

4. Make a market evaluation of the franchise product or franchise service to be offered. Is the time right to introduce it to the public? Is there a need for this type of item, and what is its potential in relation to competition?

5. Find out how many buyers have been in the franchise business successfully for a respectable period of time. A legitimate new business franchise opportunity will even provide you with phone numbers of other buyers, so you can verify that they're generally satisfied with the opportunity and that the seller is capable of fulfilling his or her promises.

6. Check the new franchisee training and franchise ownership experience required to run the business properly. Is there a suitable curriculum of training? What is the scope of training? Does your background fit its requirements?

7. What is the parent company's profit ratio to sales; to time and service requirements; and to the financial leverage requirements? Can you make more in another type of franchise business from Franchise Giant .com?

8. Do you have to work more hours as a franchise owner to make the same amount you do now? Can you invest the same amount in the new business franchise opportunity yet operate a larger operation and get a better return on investment?

9. Check with current franchise operators to see how they're making out. Are they happy with their franchise businesses? What problems do they have, if any, that are common to all franchise units sold?

10. Research parent company's history. Is it a new firm with little expertise and experience? Is it an older firm whose regular franchise products have satisfied customers for years? Are the business opportunities all offshoots of their regular franchise business?

11. Is there financial strength and strong credit behind the new business franchise opportunity? Can the licensor-seller give you an escrow agreement to deliver a building, equipment, leasehold improvements, inventory, etc., as the franchise unit is made ready for your use? Check out the bank references given by the licensor-seller; discuss the company's financial strength with the appropriate franchise managers.

12. Evaluate the franchise policies and plans of the company with the associations and business groups in which the parent company or franchise seller is involved.

13. The [Better Business Bureau](#) will give you a report if others have lodged previous franchise complaints against the company.

14. Having an attorney, accountant or franchise business consultant conduct an in-depth study of the franchise company may be an excellent idea.

15. Visit the headquarters of the licensor-seller. Talk to the personnel and the franchise training director. Visit the original prototype of the franchise business being sold. Evaluate other franchise outlets. Expose yourself to the other franchise outlets' products and franchise services to determine the quality dispensed.

In the preceding section, we outlined numerous things you should do to ensure that you're choosing a franchise venture that will be appropriate for you personally, and will represent a sound business ownership investment. It's important that you cover all your bases before signing a new business franchise contract with the seller. The following are some strategies you should use to protect yourself as a franchise owner.

- **Have legal representation.** Your attorney should be present when you're negotiating the franchise purchase with the licensor-seller. At the very least, your attorney should go over the franchise contract to purchase the new business franchise opportunity and advise you as to whether or not you should sign it in its present condition. He or she should explain what each aspect of the franchise contract means so that you understand what you're signing.
- **Have financial representation.** Your accountant should look over the financial statements of the licensor-seller. In addition, he or she should be able to check out the financial strength of the parent company and determine whether the

franchise business is a viable financial investment for you.

- **Make your own independent survey of other franchise owners of new business franchise opportunities sold by the parent company.** Are the franchisees happy with the company? Did the company do everything it promised? Is the company good to work with? Does it give its franchise distributors help? Does it send out franchise advertising materials? What do they feel are the strengths of the franchise opportunity? If they had to do it over again, would these licensees buy another franchise unit? Would they advise you to buy a another franchise unit?
- **Contact franchise competitors.** This will verify the status of the franchise company in the industry. A competing franchise company will tell you in a hurry what the company's weaknesses are. You'll also get an opportunity to see whether or not the new business franchise opportunity compares favorably in terms of pricing and so on.
- **Check the credit of the franchise seller.** Your accountant or the person auditing the new business franchise opportunity can help you with this.
- **Be sure you understand everything you're signing.** Read the franchise purchase agreement disclosure statement, the franchise purchase agreement and all of the franchise advertising bulletins carefully.
- **Check the credibility of the parent company.** The parent company doesn't have to be big in terms of dollars to be credible. Use your common sense and advice from people you trust to determine whether or not a franchise company seems credible. In many cases, small franchise companies are a great investment for a franchise buyer because you generally deal with the president or the top people in the company. They are going to be franchise training you and working with you. This is a tremendous advantage, as opposed to working with somebody five or six rungs down the ladder who may be just doing a job. Are the franchise seller's people truly interested in you? Do they seem to be sincere? Did they check you out thoroughly? Are they concerned with the kind of franchise buyer that will be carrying their banner? This is very important. If they're just interested in taking your money, you're in trouble.
- **Check the performance of the parent company.** Are the franchise seller's claims backed by performance? Do the claims that the franchise seller make when advertising their product, for example, stand up at the franchise store level? Do the current franchise operators you've talked to confirm the profit claims that the franchise seller makes?
- **Check the franchise company's management.** It's not enough that they've got a good idea. Do they have the franchise management strength to be able to train you, help you and keep the franchise company running for another 20 years?
- **Know all the franchise costs and obligations, both yours and the franchise seller's.** What franchise costs are you going to have to incur? What are your franchise obligations on an ongoing basis?
- **Is the franchise company going to train you?** Is franchise training at your own expense? In most cases, you have to pay your own franchise expenses to the training site. How long will the franchise training last? Do you have enough money to sustain yourself while you're in franchise training and before your franchise business starts earning money? What kind of ongoing franchise supervision will the franchise company give you?
- **Determine what type of franchise advertising program is available from the licensor.** Will that franchise advertising program work for you? Check your local market. For instance, if you're buying a new franchise business in which you'll be selling bathtub liners, will franchise advertising in trade magazines really help? Also, what are their ads like? Is the copy good? What about visual art? Don't negate the possibility that their franchise advertising program will hurt you more than it will help. Just because you're dealing with a franchise company that has experience in the field, their franchise marketing campaigns aren't necessarily going to be successful.
- **Are you getting value for your initial franchise purchase price?** Examine the list of equipment, fixtures, inventory, operating supplies, etc. and call a few franchise suppliers dealing in these items. Compare the prices those franchise suppliers quote you against the new business franchise opportunity's prices. You may be able to purchase everything, including the inventory, for less money yourself than you could by affiliating with the franchise licensor.

A franchise disclosure statement is a document that contains everything there is to know about the new business franchise opportunity and the franchise seller's company. It includes the franchise promoter's financial strength, how many franchise operating units there are, and exactly what you're going to be required to pay in total so there are no hidden franchise fees. The purpose of the franchise disclosure statement is to protect the franchise licensee as well as the franchise licensor and to eliminate some unscrupulous franchise licensors.

As already mentioned, some 26 states have legal requirements for disclosure statements and registration. In addition, there are also federal laws regarding franchise business opportunities. The most significant is the FTC rule requiring full disclosure of the new business franchise opportunity on a national level. The rule doesn't require a franchise registration, but it does require a franchise disclosure that follows a specific

format.

Most states that have franchise disclosure requirements parallel the federal standards of information that must be supplied to the franchise buyer. In addition, state-required disclosure statements often include information stating that the franchise buyer has three to seven days referred to as a "cooling off" period so the franchise purchaser/investor can reconsider the subject after being bombarded by franchise sales pitches from slick salespeople.

When reviewing a franchise disclosure statement, be aware of the following items:

- **The licensor.** The history of the franchise parent company needs to be detailed. It should include the identity and business experience of any persons affiliated with the franchise licensor, whether the company has been involved in any litigation, whether it or any of the officials in the franchise company have ever declared bankruptcy, any other initial payment or any payment in total, and any other fees.
- **Obligations of the franchise licensee.** If there are any franchise financing arrangements, they have to be stated. If you are going to be required to buy from any franchise supplier, that should be stated up front. The franchise disclosure statement also states what the franchise parent company will have to provide in terms of equipment, franchise training, ongoing services and a franchise training manual.
- **What the franchise licensor promises to deliver.** This should include whether you're getting an exclusive area or franchise territory as a licensee. Any trademarks, service marks, trade names, logo types and commercial symbols as well as any patents or copyrights which you're going to be able to use as a franchise licensee need to be identified in here.
- **Obligation of the franchise licensee.** This is how you will participate in the actual operation of the new business franchise opportunity. If this is an absentee franchise business, it must be stated. If the franchise licensor indicates that you must personally operate the franchise business, that should also be stated. Restrictions on goods and services offered by the franchise licensee are covered. It has some provisions for renewal and termination, repurchase and modification. It also has to list the current franchise licensees and their addresses so you have the franchise opportunity to contact these people.
- **Public-figure relationships.** If this is a new business franchise opportunity that is identified with a given public figure like a celebrity or athlete, it should indicate what arrangements have been made with that person. Is that person active in the franchise business or receiving a royalty out of the proceeds?
- **Financial statements of the company.** This is required in almost every state. It is an audited financial statement prepared by a CPA. There is usually a letter from the accountant indicating that the books have been audited and are available for people to study. Any estimates or projections of earnings would have to be part of the franchise disclosure statement.

Franchise profit and loss statements are part of the financing process. In business offerings, these are usually statements audited by a CPA. When you look at a franchise licensor, you'll want to see an audited statement of the franchise company's earnings. You'll know you're getting a legitimate financial statement because CPAs will not stamp a statement that hasn't been properly audited and certified.

You should have an accountant look at the franchise financial statement and interpret exactly what the franchise statement represents for you. You should compare franchise statements from at least two years to see the direction in which the company is moving: Is it on an upswing or a downswing? Is it becoming more profitable and more efficient? The balance sheet, which shows the franchise company's assets and liabilities, is another yardstick with which to determine the strength of a franchise company. The franchise profit-and-loss statement tells you how much money the franchise company is making or losing. The franchise balance sheet tells you what the franchise company is worth in terms of assessing a company's strength.

Franchise companies may give you pro forma projections to show what you can expect to earn in this particular new business franchise opportunity. A pro forma is a projected franchise financial statement. It is developed by taking the typical costs for a franchise unit doing \$200,000, \$300,000 or \$400,000 a year and showing you approximately what you can expect to earn at each of those sales levels. Some states have outlawed the use of pro-forma franchise statements except in the case of current operating franchise units. In terms of their reliability, they do not always accurately reflect franchise earning potential.

We recommend examining actual audited franchise operating statements to get a good feel for what this company is doing. Larger companies will be able to provide you with these. Smaller companies usually can't, and that's where a gamble is involved. This is where you have to use your own personal accounting and franchise legal assistance in order to thoroughly check out a company.

Franchise Information Source: The Small Business Encyclopedia

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Franchise Giant provides detailed information on a wide range of new business franchise opportunities. Visit our franchise opportunity directory that includes a variety of business and franchise opportunities, information on leading franchises, start up business advice and franchising

guidance. Take the franchise opportunity test, find top franchise opportunities, search our franchise directory, and research the franchise opportunity investment requirements to find the business opportunities that best meet your needs. Welcome to Franchise Giant we have everything you need to get started in the exciting world of franchising.

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