

## Validation Tips and Sample Questions

Franchise validation is when you talk with franchisees and validate what you have learned so far about the brand and much more. This is a critical stage in the process as we get to hear from existing franchise owners what their experience has been in a somewhat anonymous environment. Most importantly, we can discuss money matters in more detail as franchisees can share their financial numbers with you, whereas, franchisors are limited by strict legal franchise laws.

Many franchise brands coordinate a weekly group validation call. This is when one franchise owner is on a conference call with several candidates like yourself. Typically, the franchise owner provides information about their background and general experience with the brand YTD. Candidates are then encouraged to ask questions. This works well in the beginning when you are trying to get your feet wet. Some franchise brands will record these calls and make them available to you.

Eventually, you will want to talk to a few franchise owners one-on-one via telephone or in-person. Most franchise brands use a password so that franchisees do not waste their time talking to candidates that are not already qualified by the franchisor. In many cases, the franchise development person of the franchise brand can help you line up calls.

Below are some general tips related to franchise validation.

- Respect the time of franchisees and be grateful. In most cases, the more grateful you are, the better the information you will get.
- It's important to go into validation calls with an open mind and positive energy. This is work, do the work.
- Franchisees are busy with their business and personal lives. The onus is on you to connect with them one-on-one.
- Franchisees do not get paid to talk to you. In fact, it is against the law for them to be compensated for talking with you.
- Warm people up with some easy friendly open-ended questions. Share some personal information about yourself when appropriate. However, be careful that you do not talk too much about yourself.
- When you run across information that is a concern, write it down. Explore the concern with other franchisees, the franchisor's franchise development professional, and with me. Determine if it is a real concern for you. For example, John Doe said that last year he went through a difficult divorce that affected his business.
- There are strong and weak performers in each franchise system. Compare/contrast yourself to each franchisee you speak with to estimate how you size up. Will you be a low, middle, or high performer in this brand?
- Validation is a mutual due diligence process. Make sure you leave a professional footprint with franchisees. Franchisees will often provide the franchisor with input on a candidate. "This guy is a good one."

## Sample Questions to Ask Franchisees

Below are some general questions to get you started. Customize as needed, but do not expect more than 15 minutes of their time.

1. How long have you been in the business?
2. What is your career background? Was your background a good fit for this business?
3. What do you feel is the main function of the owner of this business?  
Please describe a typical day.
4. About how many hours per week do you spend in the business?
5. What do you like best about the business?
6. What do you like least about the business?
7. How would you rate your initial training and ongoing support?
8. How do you rate the Franchisor management? Their vision for growth?
9. How do you rate the marketing, advertising and promotional programs?
10. How difficult is it to find, train, and retain employees?
11. Do you own or would like to own, additional units/territory?
12. You've been in my shoes before. I need to put together an income statement for a business plan. I'd like to ask you some revenue and expense related questions. Is that ok?
  - a. How much revenue can I reasonably expect in the
    - 1<sup>st</sup> year?
    - 2<sup>nd</sup> year?
    - 3<sup>rd</sup> year?
  - b. What are the largest variable expenses and their percentage of sales?
  - c. What are some of your largest fixed costs?
 

\$ _____	Rent
\$ _____	Utilities
\$ _____	Advertising and Promotions
\$ _____	Indirect Labor /Payroll
\$ _____	Insurance
\$ _____	Other
13. What type of money can I expect to earn 4-5 years down the road?
14. Is there anything else you can share that you think might help me?

**Thank them** at the end of the call and ask if it is okay for you to circle back around in a few weeks if you have additional questions.

Once you have positive validation of a topic, then stop asking questions about that topic. Start narrowing your questions down to the key criteria topics that you still need to validate or understand better.

### **Helping People Achieve Goals Through Franchise Business Ownership**

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