

# Hamilton Pratt Article

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## WHAT TO CONSIDER WHEN DEALING WITH A FRANCHISOR?



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*Don't be afraid to ask  
questions*

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As a prospective franchisee there are several things that you should bear in mind when you first make contact with a franchisor:

1. How much do you actually know about the franchisor and its business? – Do your research! Although the franchisor is the “big guy” don't be afraid to ask questions. You need to be sure that the franchise you are about to take out is the one for you! Do your research, speak to the franchisor's existing and former franchisees and don't be afraid to dig deeper. If you cannot find the information, ask for it. This will only show to the franchisor that you are serious about the business. Just because the franchisor has a training course coming up doesn't mean that you should rush your due diligence. At the end of the day you must make sure that the franchise you have chosen is suitable for you just as much as you are suitable for the franchise.
2. Franchisors don't negotiate – Generally, if you are dealing with an established franchisor, there is little scope for negotiating the terms of the franchise agreement. This is not because the franchisor wants to be difficult but this is the industry standard approach. There may be some scope for negotiation where, for example, the franchisor is a new franchisor and may only have just started recruiting. Or, you may have another business interest or a job which you want to continue with for a little while – the franchisor may be prepared to accept that. In any event, any departures from the franchise agreement should always be confirmed in writing by way of a side letter to the agreement.
3. Documentation – Don't be alarmed if the franchisor asks you to sign a confidentiality agreement before disclosing information to you. This is quite normal. The franchisor is taking a risk in disclosing to you confidential information about its business and it needs protection. You may be asked to pay a deposit. This is also standard practice. The deposit terms may vary from franchisor to franchisor but generally you should expect the deposit to be refundable at least in part if not whole and in return you can generally expect to receive an exclusivity period where franchisor will not make the same offer to a third party. Always check the terms and know what you are getting yourself into!

Once you have decided that this is for you and you have signed up to the franchise agreement, don't be afraid to take advantage of the franchisor's experience and knowledge. The franchisor is not there to hold your hand but the franchisor is there to help you and guide you although do not expect the franchisor to do all the hard work for you. If you have stumbled upon some difficulties don't just hide them under the carpet but talk to your franchisor because he probably experienced the same or similar difficulties himself and can help you. What you are getting is a recipe for a successful business, a business model that has been proven to work. Whether or not you make it work is up to you and the effort you put into it.

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A franchisor will require you to comply with its rules and to follow its procedures. For example it may require you to use only specified suppliers or materials so as to ensure uniformity and to maintain the high quality standards which are associated with the franchisor's name. If you are required to purchase supplies from a nominated supplier you should ensure that the supplier (which can include the franchisor) cannot increase prices unfairly.

If after entering into the franchise agreement things are simply not working out, talk to your franchisor. Communication is always the best way to resolve any issues and the sooner you start discussions with the franchisor about your exit options the more time you and your franchisor will have to come up with a solution that would suit all parties and you may well leave with a few pennies in your pocket!

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