

Hamilton Pratt

Question & Answer

What information should a franchisor provide to someone interested in becoming a franchisee?



1. The short answer is as much as possible about the franchisor's business and the franchisor's other franchisees. It is surprising how many franchisees do not undertake what is called "due diligence" on a franchisor by asking all the necessary questions to enable a franchisee to make an informed decision about whether it is a good or bad thing to become a franchisee in that system.
2. Whilst very few franchisors are untruthful they clearly have an interest in offering up a rosy picture of their franchise so the best way that you can find out about a franchisor is to talk to as many of the franchisor's franchisees as you possibly can – and not simply those franchisees that the franchisor wants you to talk to because they will say nice things about the franchisor. So, as a bare minimum you need to ask the franchisor for a full list of all franchisees and information as to how many franchisees have withdrawn (for whatever reason) from the franchise over the previous few years.
3. There may, of course, in addition be particular issues that are important to you and possibly not other prospective franchisees. These should also be raised with the franchisor. In an ideal world information which has been provided by the franchisor needs to be set out in writing so that there can be no argument as to what you have been told.

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