

Start a Franchise In 10 Steps



KISSES

A guide from the
entrepreneurship pros at
[incorporate.com](https://www.incorporate.com)

Should I start a franchise?

Does this sound familiar? You'd like to start a business, and you are thinking of buying a franchise, but you are not sure where to start. Starting a franchise can seem intimidating for newcomers. After all, you are just a hopeful entrepreneur, and franchise companies are major brands. This step-by-step guide will help you better understand what to expect when you to start a franchise.



What Does Franchise Mean?

In a franchise, one business (called the franchisee) pays another (the franchisor) to use the franchisor's business model and trademarks. The franchisor offers various kinds of assistance to the franchisee, such as training, support services, and advertising.

There's a cliché that buying a franchise lets you work for yourself, but not by yourself. You are the boss in a franchise, but the franchisor provides you with a ready-made template for your new business to follow. Using that template simplifies the process of starting and growing your business.

Franchises differ not only by industry but also by the specific framework they provide for a new business. Each offers a unique take on how to start and build a successful enterprise. In short, you have options when buying a franchise.

With this background in mind, let's turn to what you came here for—learning how to start a franchise.



1

Consider the pros and cons.

Start a business with a proven track record. Starting a franchise allows you to buy into a business model that has already proven itself in the marketplace.

Starting a new business can be an expensive proposition. You need sufficient starting capital to purchase or lease space for your business, acquire equipment and starting inventory, obtain necessary business licenses and insurance, and hire and train staff.

Start your business with a built in support structure. Franchisors would like to see their franchisees to succeed. Naturally, franchisors are driven to help their franchisees with services like business advice, training, and advertising.

**2**

Choose the right franchise.

Choose a franchise that suits your personality, skills, or goals.

- ▶ What are your strengths and weaknesses as an entrepreneur?
- ▶ What type of franchise business or industry would you like to own?
- ▶ What are your business goals and how can a franchise help you achieve them?



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Research Market Conditions and Franchise Opportunities.

Next, understand your local market conditions. You probably already have a feel for what kind of business can succeed in your area. However, it helps to supplement your entrepreneurial instincts with data. Some good sources of market data include:

- ▶ Government agencies, such as the Census Bureau and Small Business Administration (SBA).
- ▶ The business school or Small Business Development Center at your local college or university.
- ▶ Private market-research firms.

With this information at hand, you should begin sifting through the more than 3,000 different franchises for sale to find those that most interest you. You can start by browsing the International Franchise Association's Franchise Opportunities database or consulting Entrepreneur.com's Franchise 500 rankings.

Alternatively, you can retain a franchising consultant to help you choose the best franchises for you and advise you throughout the process.

You should expand your research by contacting the franchisors that peak your interest. Each franchisor will provide you with their Franchise Disclosure Document (FDD). FDDs are required by federal law and contain extensive information about a franchise opportunity. That information contains contact details for current franchisees and franchisees that left the franchise system during the past year. You should use those details to contact the past and current franchisees and inquire about their experience with the franchise.

Throughout this process, ask franchisors and franchisees the following questions:

- ▶ How experienced is the franchisor?
- ▶ How much does starting a franchise cost, and what are the ongoing costs?
- ▶ How long does it take for franchisees to become profitable?
- ▶ What kind of support does the franchisor provide, and how much control does it exert over its franchisees?



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Write a business plan.

Once you have chosen a franchise, you should sit down and write a formal business plan. Writing a business plan will help you get organized and pitch to investors.

5

Form an LLC or Corporation.

Starting a franchise as a properly formed corporation or limited liability company (LLC) offers several legal, tax, and business advantages.

Incorporating your business creates a legal barrier between your business liabilities and your personal assets. Corporations and LLCs can qualify for tax breaks that are unavailable to sole proprietors.

Your customers, business partners, and prospective investors will consider your business more credible if it is incorporated. Many franchisors prefer to work with a corporation or LLC.

Incorporate.com can help you form your company and answer your questions about creating an LLC or corporation for your franchise. Just call us at 855-236-4043 or visit incorporate.com today.

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Obtain financing.

You need sufficient starting capital to cover your franchise fee and start-up costs, of course, but you also need working capital to get you through the first leg of your franchise journey. Here are some possible sources of capital:

- ▶ Your franchisor—see Item 10 of its FDD
- ▶ Family and acquaintances
- ▶ Banks or finance companies

You may be eligible for an SBA-backed loan if you cannot otherwise qualify with a bank.



7

Sign the Franchise Agreement.

The franchise agreement is a binding contract between you and your franchisor. As such, you should hire an attorney to review the agreement before you sign it. Make sure you understand the exact terms of the contract, including all your rights and obligations under the agreement.

8

Be compliant.

Most state and local governments require businesses to obtain various licenses and permits before they can do business in the area. These commonly include general business licenses, tax registrations, health permits, and occupational licenses.

Failure to maintain all necessary licenses and permits can result in government fines or worse. Your franchisor may also terminate your franchise if you do not stay compliant with licensing requirements.

If you incorporate your franchise, you will also have to comply with your state's corporate reporting requirements. If you fail to submit a report on time, the state can terminate your corporation's or LLC's existence, leaving you exposed to the risks you incorporated to avoid.

Luckily, incorporate.com can help you stay in compliance with both business-licensing and annual reporting requirements.

**9**

Build or Improve Your Location, Attend Training, and Hire Employees

Many franchisees are responsible for building or improving the space where they will operate. The franchisor will provide blueprints, custom fixtures, and signage, but you will need to hire a general contractor to build your space and prepare it for opening day.

While you are building your physical location, you will want to start assembling your team. Before opening day, your franchisor will offer training to you and your employees. This training eases you into the culture of the franchise network that you have joined.



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Open your new franchise.

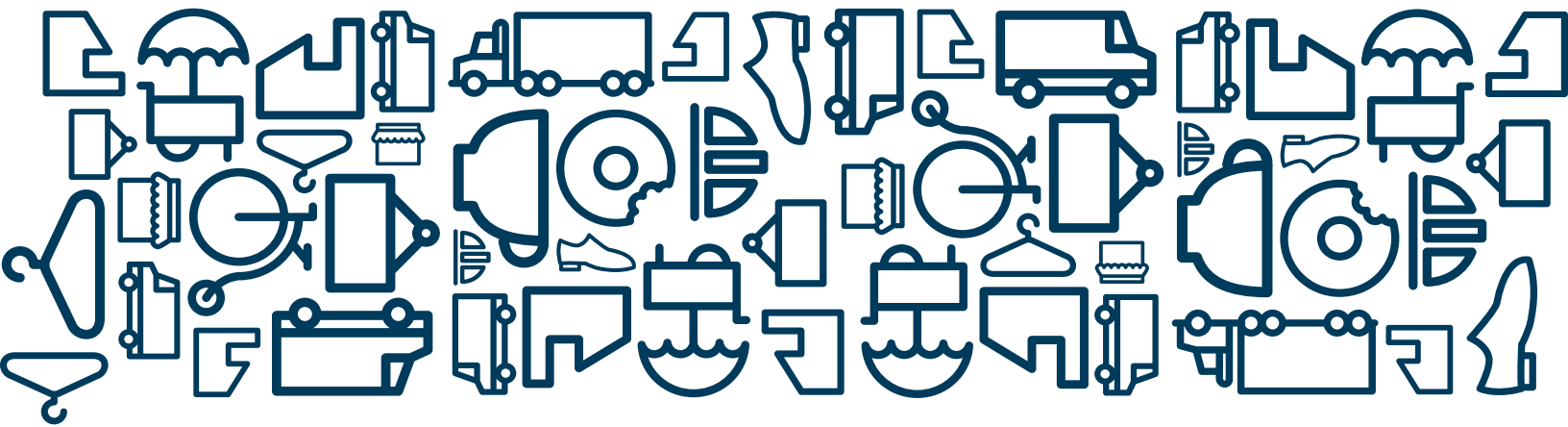
Finally, it is time to open your franchise to the public. This is another area where buying a franchise offers advantages over starting from scratch. Your franchisor will guide you through the process of opening your business and run an advertising blitz to spread the word that you're open for business.

Bonus Tip: For your opening day, invite your local Chamber of Commerce and members of business networking groups. This will help spread the word about your new establishment among influential members of the business community.

Unlimited Support

Our teams are readily available to answer your questions from 8 a.m. to 8 p.m., Monday through Friday.

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