

## Three Considerations To Make Before Buying A Franchise

[Forbes New York Business Council](#)

Apr 30, 2018, Doug Dickison

After more than 30 years of business leadership — 10 years as a franchise entrepreneur and 20 working as an executive for a Fortune 50 organization — I know that the decision to purchase a franchise and become a business owner is a big step and one that should not be taken lightly. I have learned a lot through my experience as a consultant for numerous startups, as well as large companies, helping them design, build and develop their business models.

Careful consideration must be given to three important factors before taking the leap toward franchise ownership. A prospective franchisee should also be aware that a good franchise company will scrutinize interested parties and choose only those that are a good fit and appear to have the necessary skills to run a successful business. As a prospect, asking intelligent questions will not only interest the franchisor but also provide the information you need in deciding whether or not to pursue the potential opportunity.

The franchise business model, the franchise industry and the franchisor's leadership team are at the forefront of franchise selection. If one of these three areas is missing or is in deficit, it is best to respectfully walk away. A current analysis of these areas is far more important than historical results. While results and history are indeed important, they should not necessarily be given the same weight.

### The Franchise Business Model

If a franchisor's business model is not finely tuned for tomorrow, the success of yesterday cannot be replicated and, therefore, results are negated. It's the same with most companies, really — those that have the vision and forward thinking necessary to upset the current state of things will be the most successful. Though it is not a franchise, the innovative company Airbnb is a strong example, as it arose out of a need that was not being filled and has spread widely. Instead of accepting what was, their founders took the initiative and built a new kind of company based on sharing and trust. An example of a franchise with a strong business model is Reis & Irvy's Froyo robots, [billed](#) as the world's first frozen yogurt vending robot. Their concept of creating a unique and fun experience using technology can excite customers and make them part of the process.

Companies can be successful by using the “blue ocean” [strategy](#) as opposed to the “red ocean” approach. Blue ocean companies pursue differentiation at a favorable cost while creating and capturing new demand. They aim to make the competition irrelevant, unlike red ocean companies, in which everyone is constantly in competition, trying to outperform their rivals.

### The Franchise Industry

Furthermore, industry cycle times for innovation have compressed. Speed, along with a franchisor's ability to anticipate customer needs, will create disruption and, thus, create opportunity. If the industry is lagging or is under pressure, even a good business model will not be as effective as it could be. Things are moving so fast, it is a challenge to keep up. Those that stay ahead of the trends and can refine or expand their services with the changing times will ultimately be successful.

### The Franchisor's Leadership

Lastly, you cannot overstate the importance of effective franchisor leadership. Effective leaders need to be visionary and interrupt the fast pace of our ever-changing world with fiercely focused customer solutions. In addition, it is more important than ever for companies to surround themselves with good people and good policies. Today's effective business leaders need to be visionary. This will ensure success, along with these six key areas: learning, empathy, accountability, decisiveness, emotional intelligence and resiliency. If a franchisor possesses these qualities solely outside of the business realm, they may find that these qualities may not necessarily transfer to success in business. If any one of these seven elements is missing, I've found it can render a company ineffective. Furthermore, leaders that can anticipate market pressures and market needs will have a leg up on the competition. Doing your homework to find a company that can provide all of these elements will ultimately pay off on many levels.