

Why Franchisors Insist On The Franchise Application

by Ken Hollowell

You've done your homework, looking at various business opportunities including the possibility of buying a franchise. Whether it's a franchise for a large well known franchisor or a franchisor just starting to sale franchises, there's a process you must get through in order to actually become a franchisee.

The first step in that process is the application. This seemingly simple act of filling out a form or questionnaire is where many would-be franchisees get derailed. For those of us on the franchisor end of the business, the application is a very important first step in a "weeding out" process that helps us determine whom we will talk with further and whom we will simply send a polite "no thank-you" response.

The initial franchisee application is designed to tell us something about the applicant. We need to know a lot more than where you live, what jobs you've held and how much money you have in the bank. We are really looking to learn, at a glance, what type of person you are, so we can attempt to evaluate if you can succeed as a franchisee.

We want to know if you truly are motivated and how much you want to run your own business, since opening a franchise of any type is hardly a cakewalk. We need to get a sense of your people skills. As a franchisee running a large format digital printing service operation such as Grafix Stop, you must be able to deal smoothly and effectively with employees and customers alike.

As is the case with any reputable franchisor, we are not in business to simply take in franchise fees. Instead, we are looking for people who will succeed in running and building their individual franchise businesses and, in turn, help expand our company's revenues and reputation.

To aid us in that search, there are five key criteria we evaluate as we review applications. Since our criteria are similar to those of most good franchise companies, understanding what we look for and why can help you successfully get through the first part of becoming a franchisee - filling out the franchise application.

The decision to pursue an applicant past the initial application step is derived from a number of factors.

Some are simple and straightforward, while others are subtle and difficult to quantify or explain in simple terms.

1. Is the applicant a "people person?"

We look at the applicant's background to see what kind of work they've done. Experience in retailing, customer service or any area where there's interaction with the public is a plus. Fully describe work you've done where you've interacted with others, whether co-workers, subordinates or customers.

MONEY MATTERS

2. What is the applicant's financial situation?

Franchise fees can vary considerably, from a few thousand dollars to tens or hundreds of thousands. But the franchise fee is only a part of the financial equation. The applicant will also have to have funding available to cover rent, furnishings, inventory, staffing, advertising and promotion, taxes and literally dozens of other expenses, large and small. Starting a business is a costly undertaking.

For the typical Grafix Stop franchise, for example, we look for an applicant to have in the range of \$45,000 to \$50,000 available to cover the franchise fee (ours is \$20,000) plus startup and initial operating expenses.

This does not mean we expect an applicant to have that amount sitting in the bank, ready to write a check. Most franchisors consider the applicant's full range of resources. While we expect some of it will come from personal savings, we know money can also come from family and friends in the form of personal loans or gifts.

Some may come from secured bank loans, or it may come from a home equity loan. All these resources and others are viable. Give a good indication of various financial resources that are available to you, so we can see that your new venture will be properly funded.

We also, of course, look at the applicant's financial history. Having a bankruptcy in your past is not an automatic rejection. We know people can get into financial difficulty for any number of legitimate and uncontrollable situations.

What does send up a red flag, however, is a pattern of financial mismanagement, which might be reflected in a bankruptcy along with other factors in the applicant's financial profile.

The application is an important first step for franchisors in the "weeding out" process.

Save yourself and us time and awkwardness by being forthright in how you fill out the financial portion of the application. All franchisors run credit checks, and it's better if we hear about past financial situations from you first, rather than having a credit check be the first time something is brought to our attention. If there are financial situations that might need explaining, it's best to do so in an attachment to the initial application you send us.

3. Is the applicant willing and able to take direction?

We can sometimes get an indication of an applicant's willingness and ability to accept direction from the jobs they have held and how long they've held them. If it's not obvious from your job title, then explain how your job responsibilities demonstrate this.

4. Is the applicant a self-starter?

Like willingness to take direction, indication of a self-starter can sometimes come from the type of jobs the applicant has held and how quickly he or she advanced up the ladder. Success in certain types of jobs, such as independent sales, might also suggest the person is motivated.

5. Does the applicant believe in our system?

This may not be easy to detect in an initial written application. But if the applicant shows us that he or she has done their homework, looked into our business and likes what they see, that is a good sign.

It's important to remember that in seeking a franchise, you are in a highly competitive situation. Franchise companies constantly receive inquiries and applications from potential franchisees. During tough economic times such as these, the competition gets even tighter as many more people look into franchising as a way to try to secure their future.

ACCENTUATE POSITIVE

We can't award a franchise to everyone who applies, even if they have sufficient financing. Since there may be dozens of applicants who, on paper, meet our criteria, anything you can do to make yourself stand out in a positive way will help your cause.

Do what you can to make us invite YOU in for a face-to-face meeting over the other qualified candidates.

Here are some things that make us take a closer look at an application:

Neatness. This may seem like a trivial point, but neatness does count. We are not English teachers grading exams, but we do want to be able to easily read your application. Excessive sloppiness might be taken as a sign that you are careless or the application is not important enough to you to take the proper care in filling it out.

If your handwriting is sloppy or childlike, ask a spouse or friend to fill it out for you. Hard as it may be to believe, we once received an application with answers written on coffee-stained napkins and scraps of paper. Needless to say, that applicant was not called in for a personal interview.

Thorough, thoughtful answers. We don't mind taking a few minutes to learn more about you, your background and skills, and your business aspirations. Except where the questions obviously call for a simple yes or no answer, try to provide thorough responses.

Showing enthusiasm for the franchise business can boost an applicant's chances.

Short of writing a book in response to each question, you should take as much space as you need to fully explain and SELL yourself. It's ok to put some answers on a separate typed page if a thoughtful response will not fit into the space allotted.

Just be sure to clearly indicate to us that the answer is on a separate sheet, and on that sheet clearly indicate what question is being answered.

If you can convince us that you are a good risk, there's a good chance you will succeed in getting a franchise. Then, with lots of hard work, long hours and a bit of luck, you'll be on the way to what can be a satisfying and rewarding business experience.