

## Questions to ask a franchisor

*Many potential questions you might think to ask a franchisor are likely to be addressed by information provided in the disclosure document. Rather than generating basic questions here that will be addressed by reading the disclosure document, this list of questions considers what else should be asked in addition to reading the disclosure document and undertaking your due diligence.*

*You should note the responses to all questions you ask as well as who provided the details and when (i.e date your notes).*

*(This also serves as a useful reminder to read all information provided by the franchisor, particularly the franchise agreement and disclosure document)*

1. What sales turnover and profit should I expect over the first 12 months by following the system? *(This is a variation of the usual “How much money will I make” question that most potential franchisees like to ask, but to which franchisors are generally reluctant to provide a response. The next question may be a more appropriate substitute).*
2. What financial data can the franchisor provide to assist me put together a detailed and relevant business plan?
3. Can you provide actual data from any existing company-owned or franchised operations? If so, please also indicate the overall ranking of these operations for sales performance compared to the rest of the network.
4. Who founded the business, when, where and why? What is the founder's involvement in the business today?
5. Has the franchisor, a director of the franchisor or any of the senior management team ever been charged with or convicted of a criminal offence, or been bankrupt, or been banned from being a company director? *(Note: The Code requires disclosure of similar information, but limits the timeframe to the last 10 years)*
6. Can the franchisor provide a typical training schedule? Does the training include an assessment of your ability to do the tasks required, and if not, how is a franchisee's competency to operate the franchise determined?
7. Can the franchisor provide a typical field support schedule and details of the frequency and nature of support available to franchisees?
8. Does the field support include time spent with me in my business when I first open, and if so, for how long and what support will be provided during this time?

9. What is the franchisor's leasing policy? (*ie. Who holds the lease if it is to be a site-dependent franchise*). If the site is to be leased from the franchisor, what, if any mark-up is the franchisor charging on the rent, and how can the franchisee be sure that their rent is ultimately being paid to the landlord?
10. What ongoing learning and business growth opportunities are available to franchisees?
11. What is the average length of time that a franchisee stays in this system?
12. What proportion of franchisees who left the system in the last three financial years (the disclosure timeframe outlined in the Code) made a capital gain when they exited the business?
13. What is the average length of time that employees stay with the franchisor, including field support personnel?
14. What franchise and industry-specific training or education has the franchisor and its personnel undertaken in the last 12 months?
15. What franchise and industry associations or trade bodies has the franchise system and franchisor joined, are these memberships current, and have these bodies ever refused membership or disciplined the franchise system or franchisor?
16. What are the franchisor's long-term plans for the business in Australia and overseas, their role within the business and future ownership of it?
17. What current and future potential competitive threats might affect the franchise, and what are the franchisor's plans to combat these?
18. Given that disclosure documents can be up to 12 months old if they are updated annually, if the franchisor were required to generate an updated disclosure document today, what information would change?