

# The Four Pitfalls to Avoid When Buying a Franchise



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I can honestly say that just about every single person I speak with about buying their first franchise begins their search on the wrong foot. It's easy to tumble into the snare of one of the four common mistakes in picking a business. I was no exception when I started looking for my first franchise business.

I came from middle management government work and was burnt out and bored. I wanted to start a business but I did not know where to start. I knew buying a franchise would give me that head start I needed because it's a business with training wheels. Like many people I decided that I should open a franchise that was not already in my area. My reasoning was that competition would be low and gaining customers would be easy. "Totally logical," I thought. What I never considered, until I spoke to someone with insight in this area of picking a franchise, was to figure out my own strengths first along with what I like to do and find a business that matches my skills and personality. Just because my area lacks a certain business idea did not mean that I should be the guy who brought it to town. Approaching a business search with the scarcity method is dangerous and not a good business decision.

Another pitfall that is common in buying a franchise is getting into something because it's your passion or hobby. I had a client who wanted to get into a golf franchise because he fancies himself a good player and it's his beloved hobby. I warned him that if he got into one of the few golf franchises, many of them seven-day per week retail stores, he will end up loathing the game within six short months. The daily operation and all that goes with retail was not on my client's mind. He romanticized about hanging out at a country club sipping cool beverages with his buddies. That's not the business. I said to him, "How 'bout we go through my soul searching process and figure out what lights your fire. From there we can help you find a business that will give you enough time and money to allow you to golf to your heart's content." He followed my lead and ended up in a low-investment, multi-unit, recession resistant medical industry franchise. He recently shared with me that after three years in business he loves what his venture is giving him. He said he never thought it would be possible to own a business and still have a life with normal hours and weekends off.

I'm always apprehensive when I hear clients talking about getting into a big name franchise because they assume that there is some security in the nationally known, household brand name. There very well may be but does it meet their vision for the future? Will it even fit into their budget? I always like to ask the question, "Would you prefer to own a business that costs one million dollars to start up and nets \$300,000

thousand per year or a business where the investment is \$100,000 and nets \$50,000 per year?” Sometimes there are diamonds in the rough that are over looked because they’re not well known brands but maybe that’s because they’re in a business to business category and you wouldn’t know the brand unless you were in that industry. Having an open mind when searching for a business is crucial.

Many new investors in franchises are lured in by the hottest trends. “It seems like everyone is doing it, it must be a good franchise, I’ll jump on the band wagon to make quick, easy money,” is what many think. Often times this turns out to be a bad decision. We know that a good business will take two to three years to make its initial investment back. If the business peaks before that time period or if you get in at the end of the wave you may never make your money back and possibly take a loss. If it’s your first venture into business I suggest that it’s a good bet to go with something that is a necessity, not a luxury and is in a stable industry.

It is easy to steer clear of the four pitfalls of buying a franchise if you heed my advice. Don’t go after the concept because you have a passion for it. Remember, there may be a good reason why there’s no XYZ franchise in your area. Being the guinea pig could prove painful. Big brands have big panache but they may not have big returns and you will probably have to pay a premium for the cache. Lastly, flash-in-the-pan is just that. Trendy businesses start fast and end fast too. My suggestion is to start with the end in mind. What will the value of the business be when it’s time to sell? When you wake up every day will you love what you’re doing or will it get old fast? Are there many moving parts in the operation that are out of your control? Even bringing in tons of money gets old if you hate what you’re doing. Be sure that you write out five and ten year lifestyle and fiscal goals on paper. Know what you’re looking for before you begin your search. This approach to buying a franchise will make you and your family a lot happier in the long run.

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