



## Understanding The Franchise Agreement

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Up until now, it's been kind of fun, hasn't it? This whole 'franchise education' process? You've told your friends that you're thinking of being your own boss, you've found a franchise that seems to fit your goals and desires, you've talked to existing franchisees...and now it's time to read the Franchise Disclosure Document (FDD) and Franchise Agreement.

Ugh. It looks and feels heavy and legal. No fun. Scary even. Rest assured that fear at this point is normal and healthy. What you don't know is that the franchise disclosure document you hold in your hands is a lot friendlier than it looks. It is a standardized document, brimming with franchise information. You've probably heard that it's written to protect the franchisor; you should also know that it protects the franchisee by leveling the playing field. The franchisor is required to share franchise information in a clear, transparent fashion. In turn, all prospective franchisees clearly know their rights and will be expected to meet the same standards.

So put yourself in a positive frame of mind and dive in. Give it your full attention now rather than making assumptions that may turn out to be erroneous. You don't want to count on using equipment you already own, or adding your wife's special carrot cake to the menu, only to find out that's not part of the business model. Franchise systems work best when there are clear systems, standards and expectations. The value of your franchise is enhanced and the brand is strengthened when all franchisees offer consistently superior products and services.

The FDD covers every facet of the business, including:

1. What is covered in your franchise fee and initial investment
2. Physical property requirements, such as the location, building, equipment and supplies



# The Educated Franchisee



3. A definition of the operating practices which protect the entire franchise system
4. Initial and on-going training and assistance provided by the franchisor
5. Whether advertising will be local or national and if the cost will be shared
6. How royalties are calculated and paid
7. Bookkeeping, accounting and reporting requirements
8. The parameters of your protected territory
9. More, much more

Pay special attention to the territory. This is one area of the Franchise Agreement that may be negotiable. For more information on all the sections in the FDD and what to look for in each section, read Chapter 7 of The Educated Franchisee

Studying the FDD and the Franchise Agreement is a critical part of your franchise education! Go over each section carefully and be sure you understand how each item will affect you. A good franchisor will spend whatever time necessary to help you become comfortable with these documents. In the end, you might decide you can't live with the terms. Best to learn that now! And remember – at this stage of the franchise investigation fear is normal. Let it push you to seek the information you need to make the right decision for you.

Sign up for our FREE monthly newsletter at - <http://educatedfranchisee.com/signup.aspx>

The Educated Franchisee is dedicated to franchise education through the sharing of franchise information. Our objective is –

**“To create educated franchise buyers that have clearly defined objectives and are able to recognize the right, or wrong, franchise when they see it. An educated franchise buyer will move into the franchisee role with their expectations properly set and will have a heightened potential for success within the franchise system creating a win/win for all involved.**

To get more franchise information about how to stack the deck in your favor –

Visit our website at [www.educatedfranchisee.com](http://www.educatedfranchisee.com) or

Purchase our franchise book – [The Educated Franchisee](#) by Rick Bisio, Franchise Consultant or

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