



Validation (Step 8)

Lesson Description: This lesson explains the preparation steps and how to guide the candidate's validation calls with the franchisees of the system. It includes a lesson on the process and call guides.

Prerequisites:

- What You Need to Know to Be a Successful Franchise Broker
- The question-based broker points of SPIN Selling
- Initial Call (Step 1)
 - Funding (Step 1.2)
- SpotOn/Candidate Research (Step 2)
- Franchise Research (Step 3)
- Presentation Review (Step 4)
- Introduction to Zor (Step 5)
- Due Dillgence on Franchise (Step 6)
- FDD Preparation Call (Step 7)
 - Introduction to CPA
 - Introduction to Franchise Attorney

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Resources: Questionnaire for Validation Calls **Quiz:**
Interactive Q&A throughout the week

Objective and Directions

The purpose of this call is to allow the candidate to validate the information received from the franchisor, the franchise disclosure document, and the franchisees that are operating the business.

It is important that the candidate is prepared for the validation calls and knows what they need from the conversations. They should also be ready for any unexpected information.

How to prepare for this candidate call

The Franchisee Validation Calls are an extremely sensitive part of this process. If the calls go well, it can seal the deal. If they go poorly, your excellent Candidate can go silent. It is vitally important that you are there during this part of the process to mediate and drive the conversation.

If you speak to a franchisee when they are having a bad day, you then have the opportunity to be the franchisor's advocate while still controlling the conversation. *In this area, your candidate can be provided with bad or incorrect information. It is your fiduciary responsibility to protect your candidate.*

Items need:

- List of franchisees to validate with (it will typically come from the franchisor).
 - Found in the FDD; there is an actual list of outlets with phone numbers and addresses. It is in an exhibit.
 - Also, franchisors can provide you with direct cell phones and contact information for franchisees.
- Candidates should create a proforma – **WE CAN NOT DO THIS STEP FOR THEM!**
- Questions to ask the franchisees
 - If anything came up from the FDD review that would be a concern, bring it up on this call.

Quick Process Guide for Validations

- Obtain the FDD from the concept (both the candidate and the broker).
- Discuss how to conduct this call with the candidate.
- Coach and prepare them.
- Discuss validation of the numbers.
 - **Validate the 6 questions:**
 1. How much will it cost?
 - Compare what you have learned with what they have experienced
 2. How much money can I make?
 - Compare what you have learned with what they have experienced
 3. How quickly can I make it?
 - Compare what you have learned with what they have experienced
 4. What are other people saying about it?
 5. How will I be supported?
 6. Can I see myself doing this?

Situations they may come across, here are a few examples:

1. Franchisees may tell your candidate that they would do the business without the franchisor if they had to do it over again.
 - Franchisees sometimes forget how they became successful. When they rely less and less on the franchisor, they can resent paying royalty fees and they forget how they became successful.
2. How to handle that:
 - Ask the franchisee if they used the franchisor's help in the beginning.
 - Ask if the franchisor's help with changes in the market and advancements in product and service levels.
 - Ask if they used the training and operation manual in their business.
 - Ask them why they feel that way.

3. Franchisees that say they are unsuccessful. Not all franchisees will experience success. If this is the case, simply ask:
 - “Are you following the concept’s systems?”
 - “Are you reaching out to the franchisor when you have challenges or need help?”
 - “Are you completing the marketing that the franchisor suggested?”
 - “How many hours a week are you working on marketing your unit/concept?”
4. Franchisees may say you need to have industry-specific knowledge. Concepts usually provide a technical support service for their franchisees to assist them in parts of the business that are industry-specific. No matter what you do, when you change fields or even jobs, there is a learning curve.
 - Guide your candidate to ask the following questions:
 - “Does the franchisor provide a technical support person?”
 - “Do the manuals and training cover the technical knowledge needed to start the business?”
 - “Is the franchisor available to assist you in developing the technical knowledge necessary to grow in this business?”
5. Franchisees may indicate that it is hard to get customers. No business is easy, especially in the beginning when you are building the company’s financial stability. It takes hard work and dedication to get a company off to a great start.
 - Ask the Franchisee, when they made sales, and how did they make them.
 - Ask if they believe that marketing and sales are strong areas of your background.
 - Ask what the franchisor does to help them succeed in their marketing efforts.
 - Ask if the franchisor is available to assist them when they need marketing/sales help.
 - Ask how they believe the franchisor could further assist them in making more marketing/sales relationships.
6. Brokers are not typically allowed to be on franchisee calls with candidates, so be prepared to let your candidate schedule their own calls.

Second Option - Email Template

Candidates may email franchisees to schedule calls when they are available.

This is an example email that brokers can offer their candidates as a means of requesting a meeting.

Subject: (Franchise Name) Validation Request

Hi (Name), My name is (name). I'm looking into the (Franchise Name) opportunity to become a franchise owner like yourself. They provided me your name to ask questions regarding your experience with the business and the brand. Would you be open to having a quick conversation about the business on ___ (give two alternative times schedules) __ or _____?

I truly appreciate your help and insights. I want to be respectful of your time and hope to be meeting you soon.

Thank you for everything.

Send the email template Franchisee Validation Tools:

1. **“What to Ask the Franchisee”** questionnaire
2. Send the Candidate the Proforma from FBA’s Accountants
 - Contact us at Michael I Reeder, CPA
 - Managing Shareholder, Swartz & Reeder Advisors
 - 650 E. Algonquin Rd Ste 404, Schaumburg, IL 60173
 - Phone: (847) 241-5800 Ext 2
 - Cell: (847) 241-5810
 - Email: michaelreeder@swartzreeder.com
3. You may want to ask the franchisor which franchisees have similar markets and which would be best to talk to; which ones have achieved success, etc.
4. If the candidate would like to speak with more franchisees, let the franchisor know so they can provide more names.

How to complete validation calls

Call Structure

Opening

- Touch base, “have you given any further thought to our call yesterday?”
- “Has anything changed since we last spoke?”
- Go into PAIN – Use prepared SPIN Questions

Set expectations and purpose of the call

- “This is the step where we get the bulk of the information about the system, what the financials are, a day in a life, and the potential obstacles.”

Validations

- Tell the franchisee that you and your candidate (give your candidate's name) are researching this franchise and would like to ask them a couple of questions about the opportunity.
- Request a few minutes of their time to help your candidate and you.
- **NOTE:** If the candidate is going into the same area the franchisee is currently in, DO NOT tell the franchisee that. They may see your candidate as a competition and give false information or attempt to acquire the territory your candidate is looking at.
- Go down the list of franchisee questions that are provided. You can select the top 10 that pertain to your candidate's interests.
- Ask the franchisee to validate the numbers and the information received from the franchise to that point.
- Take copious notes regarding the franchisee's answers. It will help you when working with the same franchise with your next candidate.
- Relay things that are important to the candidate and have the franchisee elaborate on these discussion points.
- Ask the candidate if they have any further questions to ask the franchisee.
- Sincerely thank the franchisee for their help and have them hang up from the line.

Stay on the call with the candidate

- Ask the candidate for their feedback on the call.
- Review their PAIN and Needs-Payoff.

Repeat with the next franchisee on the list

- Ask the candidate for their feedback on the call.
- Review their PAIN and Needs-Payoff.

Planned Advance

You can arrange the call between the franchise attorney and the accountant at this time, if the candidate would like, to review information regarding the franchise and receive their advice. This is not always needed or desired – it depends on the candidate. (I wouldn't push it on them, but certainly, offer it at this step).

- Schedule a meeting with the franchise to go over the results.

Follow Up

- Validation review call with the franchisor
 1. Call the franchisor and let them know what their people are saying about them.
 2. Ask the franchisor for the final meeting.
 3. Get times from the candidate in advance.
 4. Then confirm with all.
- Send the call-in information for the next meeting with the franchise.
- If the candidate requested meetings with the accountant and attorney, schedule those meetings by clicking on the link below and filling out the form.
 4. Accountant
 5. Attorney – Legal Services