



# The five characteristics of a highly successful franchisee

by Joe Fittante Jr.

## TIPS

- 1. The cost to franchisors** for attracting, recruiting and securing franchisees is rising.
- 2. Avoid prospects that want access to the franchisor's brand** but seek to operate their franchised business outside the systems that made the brand successful.
- 3. Candidates passionate about a franchisor's business category** who are lacking in business experience may wane in enthusiasm as they discover the amount of work needed to achieve success.
- 4. Prospects who are worth their weight in gold** are literally worth their weight in gold. Undercapitalization is a frequent cause of underperformance in franchising.
- 5. Businesses are different.** Take the time to explore the characteristics that have resulted in the best franchisees for your unique business concept.

**MUCH LIKE SANTA CLAUS**, the Easter Bunny, unicorns and the perfect franchisor, there is no such thing as the perfect franchisee. However, after more than 20 years of working with franchisors, both large and small, I have identified various characteristics common to most successful franchisees. The importance of quickly identifying franchisee prospects with these characteristics is critical in the current climate, as the cost to franchisors for attracting, recruiting and securing franchisees continues to rise.

Misses in the franchisee selection process can slow the growth of the franchisor's brand and result in litigation with unhappy, unsuccessful franchisees, tarnishing the goodwill of the brand. Accordingly, when vetting prospects, a franchisor should look for at least the following characteristics in its franchisee prospects:

## THE FIVE:

### 1. Colors in the lines

One of the main reasons investors purchase a franchise is to take advantage of the systems and operating procedures created by the franchisor. These systems and operating procedures, which come at great cost to the franchisor, are commonly found in the franchisor's operating manual, sometimes referred to as the "coloring book" of the franchise system. Prospects genuinely focused on "coloring within the lines" are usually the most successful franchisees in the system. Prospects that want access to the franchisor's brand but seek to operate their franchised business outside of the systems that made the brand successful, because they "know

better than the franchisor," should be avoided.

### 2. Plays well with others

Prospects who are good communicators, level-headed and who understand that the franchised system is made up of more than the prospect's own individual location, are generally successful franchisees over the long term. Prospects who are argumentative, not good listeners or who begin the relationship by making unreasonable demands should be avoided. This is not to say that every prospect that asks questions of the franchisor should be discarded. Much to the contrary. Prospects who ask questions show an investment in the system. In fact, more questions asked on the front-end usually results in fewer disputes down the road. However, those prospects who try to negotiate every point of the franchise relationship, or who are difficult to deal with on the front side of the relationship, should be avoided, as these attributes usually signal trouble down the road.

### 3. Passion plus purpose

Many prospects are drawn to a franchise because they are passionate about the franchised services or they regularly participate in the same activities as those offered by the franchised brand. For example, the backyard weekend pit master who wants to open a franchised barbecue restaurant because BBQ is his or her passion. However, in many cases these individuals have no experience or interest in actually operating the franchised business that is the subject of their passion and once they understand the amount of time and effort it takes to actually operate the business, as

opposed to performing the activity that is the subject of the business, their enthusiasm for the opportunity wanes and the franchised business ultimately suffers. Successful franchisors identify prospects whose passion matches their purpose, meaning they are not only passionate about the franchised services but they are purposeful when it comes to actually operating the franchised business that performs those services. If a prospect only has the passion but not the purpose, then before selling a franchise to such individual, confirm that the franchised business will employ a manager with the business experience needed to successfully operate.

#### 4. Capital is king

Prospects who are worth their weight in gold are literally worth their weight in gold. Franchised businesses fail for a variety of reasons. Some of those reasons may be within the control of the franchisor, but many others are not. One of the most prevalent reasons for early failure is the undercapitalization of the franchisee. Franchisors can avoid this potential pitfall by taking a couple of steps. First, have a rock-solid understanding of the capital needed to open and successfully operate the franchised business until break even. Second, confirm adequate capital by performing extensive financial due diligence on the prospect and be non-negotiable in the financial requirements. This means failure to meet the financial requirements automatically disqualifies the prospect from consideration for a franchise, regardless of that person's otherwise suitability for the system. Too many well-meaning franchisors have bent their financial requirements to allow a prospect in their system only to later have the prospect fail due to having inadequate funds to invest in their business.

#### 5. Some grit and a little reality

Franchised businesses, like non-franchised businesses, are difficult. To be successful, they require hard work, perseverance, and grit. Prospects that have these leadership qualities are well positioned to be successful franchisees. Franchisors can identify these characteristics through discussions with prospects regarding their prior experiences as well as industrial testing. Additionally, a franchisor should weed out the prospect that has an unrealistic view of the potential return on its investment, either in terms of time or rate of return. It is highly unlikely that this prospect, if they become a franchisee, will ever be happy. Instead, the franchisor should take steps to identify the prospect that has a realistic view of the business model and whose values are consistent with the values of the franchisor.

Each franchisor should take the time and expend the effort to identify the characteristics of the "perfect franchisee" for its system. This analysis should encompass emotional, operational and financial characteristics. After identifying those characteristics, the franchisor should be uncompromising in granting franchises to only those prospects who exhibit those characteristics. In the short term there may be pain, as the franchisor may find itself turning away prospects. However, in the long term, the prospects to whom the franchisor grants franchises will be better positioned for success, which benefits both parties over the long-term.



“Those prospects who try to negotiate every point of the franchise relationship, or who are difficult to deal with on the front side of the relationship, should be avoided, as these attributes usually signal trouble down the road.”

**Joe Fittante Jr.,**  
Larkin Hoffman

**Joe Fittante Jr.** is an attorney and shareholder at Larkin Hoffman:  
952.896.3256; [jfittante@larkinhoffman.com](mailto:jfittante@larkinhoffman.com); [www.larkinhoffman.com](http://www.larkinhoffman.com).