

Could I Become a Franchisee?

A Practical Guide for
Prospective Franchisees



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A Note to the Reader

Thank you for taking the time to read this guide.

If you are considering becoming a franchisee, you are facing a decision that may affect your work, your finances and your overall life situation for years to come. That is why it is good that you want to learn about franchising and clarify the key issues before making your decision.

Franchising can offer you a more established starting point for entrepreneurship, a shared brand, a concept developed by the franchisor and agreed operating methods. At the same time, you remain an independent business owner, with responsibility for your own work and the financial risk of your business. The better you understand these realities in advance, the more realistically you can assess whether franchising is right for you.

Franchise systems differ. Their concepts, training, support, systems, fees, requirements for franchisees and contractual terms can vary considerably. The general descriptions in this guide should therefore not be interpreted as a description of what any individual franchisor provides or what has been agreed in a particular franchise agreement.

The purpose of this guide is not to assess individual franchise systems or to place the franchisor and the prospective franchisee on opposing sides. Its purpose is to help you prepare for discussions, identify the questions that matter to you and understand what operating as a franchisee may mean in practice.

A well-prepared prospective franchisee also benefits the franchisor. When you understand your own goals, financial starting point and the responsibilities involved in entrepreneurship, you are better able to discuss the opportunity openly and assess the potential cooperation realistically. At the same time, the franchisor meets better-informed candidates who are more prepared to make a considered decision and commit to the shared way of operating.

This guide is not intended to convince you that you should become a franchisee. Its aim is to help you make a considered decision based on your own circumstances. That may mean moving forward with a particular franchise, comparing alternatives, postponing the decision or concluding that franchising is not the right option for you at this time.

You do not need to have every answer at the beginning of the franchisee recruitment process. More information will usually become available as the process progresses. Before making a final commitment, however, it is important to clarify the matters that are material to your decision, finances, responsibilities and future cooperation.

I hope this guide helps you move forward thoughtfully and build a realistic understanding of franchising and of your own readiness to operate as a business owner within a franchise network.

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Purpose and Scope of This Guide

This guide is a general information resource about franchising. Its purpose is to help people considering becoming a franchisee understand the key questions, responsibilities and risks involved in entrepreneurship and prepare to make their own decision.

Franchise systems, their concepts, operating models, services, fees and contractual terms differ. The general descriptions in this guide are therefore not a description of the operations, services or rights and obligations of the parties in any individual franchise system.

In an individual franchise relationship, the rights and obligations of the franchisor and franchisee are determined by their franchise agreement, the related documents, applicable law and the circumstances of the particular case. The content of this guide does not create, amend or supplement any franchise agreement or other contractual relationship between an individual franchisor and franchisee.

Franchisetori may act on behalf of a franchisor in franchisee recruitment and may participate in the evaluation and familiarisation process between a prospective franchisee and the franchisor. In such cases, Franchisetori acts in the role agreed with the franchisor under its assignment. Providing this guide to a prospective franchisee does not mean that Franchisetori acts as the candidate's personal or independent legal, financial, tax or financing adviser, unless such an engagement has been separately agreed in writing.

Providing this guide, or Franchisetori's participation in the franchisee recruitment process, is not a recommendation to become a franchisee of any particular franchise system and is not a guarantee of business profitability, access to financing or the suitability of the franchise opportunity for any individual person.

The prospective franchisee is responsible for their own decision, their own financial calculations and, where necessary, for using independent specialists with relevant expertise to support that decision. The franchisor, in turn, makes its own decision regarding the selection of the franchisee and whether to begin the cooperation.

This guide does not constitute personal legal, financial, tax or financing advice. Before entering into significant agreements or making major investment or financing decisions, use an independent specialist with relevant expertise where necessary.

1. What Does It Mean to Be a Franchisee?

If you are considering becoming a franchisee, you may be attracted by the opportunity to start a business without having to build the entire business model from scratch. Under a franchise agreement, you receive the right to use a particular franchisor's brand, concept and agreed operating methods.

This does not mean that the business is already built for you or that it is risk-free. You establish your own company or acquire an existing business and remain responsible for its operations and financial performance. The franchisor's concept and agreed operating methods provide the framework, but as the business owner it is your responsibility to manage your company and make the business work in your own location or territory.

Nor do you make every decision independently. You commit to complying with the franchise agreement, the franchise concept and the operating methods that have been defined as common to the network. If you want to change products, services, marketing or other key elements of the concept entirely according to your own preferences, franchising may not be the right form of entrepreneurship for you.

Franchising can give you a more established starting point than building an entirely independent business model from scratch. What the concept, training, support, systems, marketing or franchisee network include in practice varies from one franchise system to another. You therefore need to find out separately what the particular franchisor provides and what is expected of you as a franchisee.

I have often said that franchising is not a 100-metre sprint but a marathon. Building a business, growing a customer base and reaching profitable operations can take time. In addition to the initial enthusiasm, you need perseverance, patience and the ability to respond when everything does not go according to plan.

The first question is therefore not simply whether a particular franchise or brand looks attractive. More importantly, consider whether franchising suits the way you work, your goals, your financial starting point and your life situation.

1.1 Franchising as a Business Model

In simple terms, franchising can be described as renting a business idea or concept for an agreed contractual period. Under the franchise agreement, the franchisor grants the franchisee the right to use its brand, concept and agreed operating methods. The franchisee pays the fees specified in the franchise agreement for this right.

You do not buy the concept and own it outright. Your right to use it is based on the franchise agreement and remains valid for the period agreed in that agreement. When the agreement period ends, the cooperation may continue if the terms of renewal have been agreed or if the

parties enter into a new agreement. Renewal should not be assumed to be automatic unless this is provided for in the agreement.

The franchise agreement and related documents define what the franchisor provides to the franchisee and what is required from the franchisee in return. The franchisor's responsibilities may include, for example, development of the concept and brand as well as agreed training, guidance, systems and other support. The franchisee is responsible for managing their own company, implementing the concept as agreed and taking care of the finances and day-to-day operations of their own business.

Franchising is based on the shared concept being implemented sufficiently consistently across the network. Customers should be able to recognise the franchise and receive the product, service and customer experience defined by its concept regardless of which franchisee owns the location they visit.

For this reason, a franchisee cannot freely change the key elements of the concept according to their own preferences. At the same time, the franchisee must actively manage their own business and use their own expertise in the areas where they have decision-making authority within the franchise agreement and concept.

The purpose of franchising is to combine a business model developed by the franchisor with the work and expertise of a local business owner. Effective cooperation requires both parties to understand their responsibilities, comply with the agreements they have made and fulfil their own part of the relationship.

1.2 An Independent Business Owner Within a Franchise Network

You operate as part of a franchise network, but you are not an employee of the franchisor. You operate through your own company, make decisions about it within the agreed framework and remain responsible for the financial performance of your own business.

In practice, you are responsible for matters such as your company's financing, payments, employees, statutory obligations and day-to-day management. The franchise concept, operating methods or support made available to you do not transfer these responsibilities from the franchisee to the franchisor.

Independence does not mean that you can operate entirely as you please. Franchising is based on a shared concept and a franchise agreement, and you commit to operating in accordance with both. The brand, products or services, operating methods, quality and customer experience form a whole that you must implement in your own business as agreed.

This is one of the most important balances in franchising. You must be able to manage your own company independently and take responsibility for it, while also being able to operate as part of a shared franchise network. If you want complete freedom to decide every key aspect of your business, an independent business model may suit you better than franchising.

The franchisor does not manage your company on your behalf. The franchise agreement and other franchise-specific materials define what training, guidance, support and other services the franchisor provides. Your responsibility as the franchisee is to make use of them and ensure that the agreed operating methods are implemented in practice in your own business.

Franchising may suit you if you want to operate as an independent business owner while recognising the value of a shared concept and common operating methods. You must be able to make the decisions that belong to your own company, ask for help when necessary and take responsibility both for your own business and for how your actions affect the shared brand.

1.3 Becoming a Franchisee Is Not Taking a Job

Being a franchisee is not the same as having a job, even if you operate under a well-known brand and have access to the franchise concept and possibly agreed training and support. The franchisor does not employ you, pay you a monthly salary or guarantee your livelihood.

You operate through your own company and invest money, time and your own work in the business. Your income comes from your company's business only after all operating costs and other obligations have been paid from sales. If your business does not generate enough, your own income may remain low or may not materialise at all.

Especially during the early stages, your working days may be long and, in many concepts, you may need to participate very practically in the day-to-day operation of the business. Finding customers, growing sales, managing employees and keeping costs under control do not happen automatically because of the brand or the concept.

Support provided by the franchisor does not mean that the franchisor manages your company or solves all of its problems for you. You must monitor your own finances, make the decisions that belong to your business and respond to situations in time. Use the support provided by the franchisor as agreed and ask for help when necessary, but responsibility for managing your own company remains with you.

That is why you should consider honestly whether you are looking for a job or whether you genuinely want to become a business owner. If your priorities are a regular salary, predetermined working hours and having an employer carry the financial responsibility, franchising may not be the right option for you.

Franchising can provide a more established starting point for entrepreneurship than building your own business model from scratch, but it does not remove the fundamentals of entrepreneurship. Responsibility for managing the company, financial risk and the possibility of business success or failure all remain part of being a business owner.

1.4 What Does a More Established Concept Mean in Practice?

Franchising is often described as offering a ready-made concept. That expression can create the misleading impression that the business is completely ready for the franchisee or that success is certain in advance. In practice, franchising means using a business model and operating methods developed by the franchisor under the terms agreed in the franchise agreement.

The concept may include, for example, the brand, products or services, operating methods, pricing principles, marketing, systems, training and performance monitoring. The content and level of detail vary between franchise systems. Two different franchisors may offer very different packages to their franchisees even though both operate through franchising.

Before becoming a franchisee, find out how far the particular concept has been developed and what practical operating experience exists. Also clarify which operating methods are already established and which aspects may still be under development.

The concept will not necessarily remain unchanged throughout the agreement period. Customer needs, competition, technology, costs, legislation and the wider operating environment change over time. The franchisor may therefore need to develop the concept and operating methods during the agreement period. Before signing, it is sensible to find out what changes the franchisor is entitled to make and what those changes may mean in practice for your own business.

The existence of a concept, or its previous performance at another location, does not guarantee that a new business will achieve the same sales, profitability or other results. The local market, location, competitive situation, customer base, cost structure, market conditions and your own work and management all affect the outcome.

If your goal is to open a second or third location later, your own role as a business owner will also change. With one unit, you may still be closely involved in day-to-day operations and know almost everything that happens in the location. With several units, you can no longer be present everywhere all the time, so you must learn to manage through people, systems and key performance indicators.

This requires a different level of management capability. You need to be able to delegate responsibility, build an effective management structure, monitor sales, margins, personnel costs, cash flow and other relevant indicators across different units, and identify quickly when the performance of one location deviates from plan. At the same time, you must ensure that the concept and customer experience are implemented consistently across all of your units.

Success at the first location does not automatically mean that you are ready to manage several units. Growth brings another stage of learning, development of your own management approach and often the need to strengthen the organisation. If multi-unit ownership is part of your goals, find out in advance whether the particular franchise system allows it and under what conditions additional units may be opened.

A concept developed by the franchisor can give you a more established starting point than building an entirely independent business model from scratch. It does not, however, replace your own initiative, business management, financial monitoring or local sales work.

Before making your decision, it is important to form a sufficiently clear understanding of what the particular franchise concept includes and what you will actually receive. Where necessary, find out more about the operating methods, training, systems, marketing, support and other resources offered to franchisees, as well as what is expected from you as the business owner.

2. Would Franchising Suit You?

There is no single professional or educational background that makes someone the right kind of franchisee. People become franchisees from many different professions, educational backgrounds and life situations. Previous business experience can be useful, but the lack of it alone does not determine whether franchising is suitable for you.

Over the years, I have met many different prospective franchisees and franchise business owners. One person is strong in sales, another in managing people and a third in practical day-to-day work. You do not need to know everything in advance. What matters more is that you recognise your own strengths and development needs and are willing to learn, take responsibility and build your skills.

People also learn in different ways. You may learn best by reading, listening, discussing or doing things yourself. Your preferred way of learning does not determine what kind of business owner you can become. What matters more is that you are able to understand the key issues in your own business and put what you learn into practice.

Franchising generally requires perseverance, initiative, responsibility and the ability to operate as part of a shared network. You need to be able to make independent decisions about your own company while also accepting the common operating methods and boundaries defined in the franchise agreement and concept.

Suitability should not be assessed only on the basis of whether you like the franchisor's product, service or brand. Also consider your motivation, financial starting point, life situation, your way of managing and working, and the level of personal involvement that the particular business requires from you.

It is equally important to assess whether the particular franchise system suits you. Franchise systems can differ greatly in how independently the franchisee operates, how closely the concept is controlled, how much practical work is expected from the franchisee and what kind of cooperation takes place within the network.

The purpose is not to look for faults in you or in the franchisor. It is about compatibility. You may have excellent potential as a business owner and the franchisor may have a strong business model, yet the particular combination may still not be the right one.

For this reason, the franchisee recruitment process should be a mutual evaluation. The franchisor assesses your suitability for its concept, while your task is to assess the franchisor, the business model and the franchisee role from your own perspective.

The better both parties understand each other's goals, expectations and ways of working before signing the agreement, the more realistic the basis for the decision. This still does not guarantee business success, but it can reduce misunderstandings that could have been identified before the cooperation began.

2.1 Your Motivation and Goals

Start by considering why you want to become a business owner. Franchising may interest you because you want to build your own business, change careers, make use of previous experience or take greater responsibility for your work and your future.

There is no single correct reason for becoming an entrepreneur. What matters is that your motivation remains strong after the initial excitement has settled. Entrepreneurship involves achievements, but also responsibility, uncertainty and situations in which you must make decisions yourself.

Also consider your goals. Do you want to build a long-term job and livelihood for yourself, grow the business, employ other people or perhaps operate several locations later? Your goals do not need to be large, but they should fit your life situation and the amount of time, work and financial risk you are prepared to take.

Find out what kind of franchisee role the particular concept requires. In some business models, the franchisee is expected to be closely involved in day-to-day operations, while in others multi-unit ownership or a more investor-oriented role may be possible.

If your goal is to grow the business to several locations later, remember that your own role will change as well. Growth requires more management, delegation, employee development and the ability to monitor the business through key performance indicators.

The better you understand your own goals and the kind of entrepreneurship you are looking for, the easier it is to assess whether the particular franchise opportunity is right for you.

2.2 Committing to a Shared Concept

When you become a franchisee, you commit to operating in accordance with the franchise concept, the franchise agreement and the agreed operating methods. You gain access to the franchisor's business model, while also accepting that not every key business decision will be made solely according to your own preferences.

The shared concept may define, for example, products, service, customer experience, visual identity, marketing, systems and other key operating practices. The exact content, and the areas in which the franchisee has independent decision-making authority, vary between franchise systems.

Committing to the concept does not mean that you cannot have your own ideas or suggestions for improvement. You should raise them through the agreed channels for cooperation. Changes to shared elements of the concept, however, are not made independently at an individual location.

Before signing the agreement, consider whether you can genuinely operate within the agreed framework. If you already find yourself wanting to change a large proportion of the products, service or operating methods during the evaluation stage, the particular franchise system or franchising itself may not suit the way you prefer to operate.

Commitment is visible in practice when the agreed operating methods are followed even when a representative of the franchisor is not present to observe the business. The better you understand which matters form part of the shared concept and where you can use your own decision-making authority, the clearer the foundation for managing your own company.

2.3 Decision Making and Taking Responsibility

As a business owner, you make decisions continuously. Some concern customers and day-to-day operations, while others relate to employees, finances and the future of your company. Even when you operate as part of a franchise network, there will not always be a ready-made instruction for every situation.

It is important to understand which decisions belong to you and which matters are determined by the franchise agreement, concept or shared operating methods. You are responsible for the day-to-day management of your own company, but you do not make decisions about shared elements of the franchise concept on your own.

Taking responsibility also means monitoring the situation in your business and responding when necessary. Failing to monitor finances, employees, customer feedback or other key areas can create problems even when no explicit decision has been made.

You do not need to know everything in advance. What matters more is that you are willing to investigate issues, use specialist advice where necessary and make decisions on the basis of the information available to you.

Franchising provides a framework for the business, but responsibility for managing your own company and for the decisions you make remains with you.

2.4 Cooperation, Loyalty and a Willingness to Learn

As a franchisee, you operate within a network that may include the franchisor's management, other franchisees, employees and business partners. The ability to cooperate is therefore an important part of franchising.

Being cooperative means listening, raising your own observations constructively and being able to handle differing views professionally. Everyone does not need to agree on everything, but problems should be addressed with the people they concern.

Loyalty does not mean accepting problems or remaining silent about them. It means acting in a way that does not unnecessarily damage the shared brand, the operation of the franchise network or the position of other franchisees. Confidential information, another franchisee's financial situation or employee matters should not be shared inappropriately with others.

You should also work with the franchise system's agreed suppliers, systems and other business partners in accordance with the concept and the agreements in place. If problems arise in those

relationships, raise them with the franchisor rather than resolving them independently in a way that could affect the wider network.

Franchising also requires continuous learning. The concept, systems, customer needs and operating environment change over time. You need to be prepared to update your skills, participate in agreed training and put what you learn into practice in your own business.

If anything remains unclear, ask questions and make sure you understand the issues that are important to your own operations. Effective cooperation is built on information flowing, agreed matters being followed through and each party taking responsibility for their own actions.

2.5 The Impact of Your Family and Life Situation

Becoming a business owner is your decision, but its effects often extend to your family and everyday life as well. Especially during the early stages, the business may require a great deal of time, flexibility and financial preparation.

Before making your decision, consider how entrepreneurship fits your current life situation. How much time will the business require, how would possible evening and weekend work fit into your everyday life, and how long could your personal finances cope if the income you receive from the business is initially lower than expected?

Remember that your life situation may also change during the agreement period. Your family circumstances, housing, your partner's work, your own capacity or other personal circumstances may look very different in a few years from how they look when the agreement is signed.

A change in your life situation does not automatically mean that you can withdraw from the franchise agreement. It is therefore important, before signing, to understand the length of the agreement period and the terms relating to termination, sale of the business and any change of ownership.

You do not need to wait for a perfect time to become a business owner. What matters more is recognising the opportunities and limitations of your current situation and realistically assessing whether you can carry the responsibilities of entrepreneurship even when life does not go entirely according to plan.

3. What Does the Franchisor Provide?

In franchising, you receive the right to use the franchisor's concept, brand and agreed operating methods in the manner defined in the franchise agreement. The relationship may also include, for example, training, launch support, marketing, systems, group purchasing and ongoing cooperation.

What this package includes in practice varies from one franchise system to another. In one system, the services provided to franchisees may be extensive, while in another the franchisee is expected to handle more independently. You should therefore establish carefully what the particular franchisor provides and what is expected from you as a franchisee.

Also find out which services and materials are included in the fees paid to the franchisor and which items involve additional costs. A general reference to training, support or marketing does not yet explain what those services include in practice.

The concept and operating environment may change during the agreement period. Changes may concern, for example, products, systems, marketing, premises, workwear, packaging or other elements of the concept, and they may create costs for the franchisee.

Before signing the agreement, find out what kinds of changes you may be required to implement during the agreement period, how those changes are agreed or provided for in the franchise agreement, and who is responsible for the related costs.

The more precisely you understand before making your decision what the franchisor provides, what you pay for and what remains your own responsibility, the more realistically you can assess the particular franchise opportunity.

3.1 The Concept, Brand and Operating Methods

When you join a franchise network, the franchise agreement gives you the right to use the franchisor's brand, concept and agreed operating methods for the duration of the agreement period.

A brand is more than a name, logo or visual identity. It also includes customer expectations and the way the franchise is perceived. The way your own business operates therefore also affects the reputation of the wider network.

The concept defines how the business is operated. It may include, for example, products or services, customer service, sales, marketing, systems, the operating environment and quality monitoring. The content and level of detail vary between franchise systems.

The purpose of operating methods is to help the franchisee implement the concept as consistently as possible. They can reduce the need to develop a separate solution for every situation, but they do not remove the franchisee's responsibility for managing their own company.

During the evaluation process, find out how thoroughly the concept has been documented and in what form the related operating methods will be made available to you. Some information may be confidential and may only be disclosed later in the process or after a non-disclosure agreement has been signed.

It is your responsibility to ensure that the agreed operating methods are implemented in your own company and that your employees also know the instructions relevant to their work.

The franchise concept provides a common framework for the business. The franchisee is responsible for managing their own company within that framework and making the business work in practice at their own location or in their own territory.

3.2 Induction and Training

The purpose of induction and training is to help you understand the particular franchise concept and prepare to manage your own company. Even if you already have business experience or experience in the industry, you still need to learn the operating methods of this specific franchise system.

The content, length and delivery of training vary between franchise systems. Training may cover, for example, the concept, products or services, customer service, sales, systems, financial monitoring, employee management and day-to-day operations.

Before signing the agreement, find out what induction you will receive, how long it lasts, where it is provided and who from your company is expected to participate. Also ask what is included in the training and whether it creates any additional costs for you.

It is your responsibility to participate actively in induction, practise, ask questions about anything that is unclear and say if you do not yet master something that is important to the operation of the business. Simply attending training does not mean that what you learn will automatically be put into practice.

One thing I have learned very clearly over the years is this: the better you learn the concept, systems, products, services, recipes and other aspects of day-to-day operations, the better prepared you are to manage your company.

Do not settle for knowing things only at a general level. When you understand how the different parts of the concept fit together and why things are done in the agreed way, you are much better able to manage your employees, monitor quality and identify problems.

Also find out what training or skills updating is included in the cooperation after the business has opened. The concept, systems and operating environment may change during the agreement period, so the franchisee's knowledge may also need to be updated.

3.3 Support When Launching the Business

Launching a business involves many tasks, decisions and deadlines. The package offered by a franchise system may include support for preparing and launching the business.

The content of launch support varies between franchise systems. It may relate, for example, to the location, practical arrangements, systems, purchasing, employees, marketing or opening the business.

Before signing the agreement, find out what launch support the particular franchisor provides, at which stages it is available and which tasks remain your responsibility. Also establish who your contact person will be and whether the agreed support continues after the business has opened.

Support provided by the franchisor does not remove your own responsibility for launching the business. The more clearly you know in advance what the franchisor handles and what you must take care of yourself, the better you can prepare for opening.

3.4 Marketing, Systems and Group Purchasing

In a franchise network, marketing, systems and purchasing may be handled partly on a shared basis. Their content, costs and the franchisee's own responsibilities vary between franchise systems.

Before signing the agreement, find out what shared marketing includes, what any marketing fee is used to fund and what local marketing is expected from you. This also applies to social media: establish which channels the franchisor manages, what you are permitted to do yourself and who owns any local accounts created in the franchise name or under the brand.

Shared systems may relate, for example, to sales, bookings, customer relationship management, finance, reporting, inventory or employees. Find out which systems you are required to use, what they cost and whether those costs are included in the fees paid to the franchisor.

Group purchasing may include products, raw materials, equipment or services. The franchise agreement or concept may require the use of specified products, suppliers or purchasing channels. Find out which purchases are mandatory, where they must be made and how prices and other terms are determined.

If the franchise system's purchasing arrangements involve discounts, bonuses, purchasing benefits or other benefits received from suppliers, find out where relevant how those benefits are handled in the particular system.

Shared solutions can make operating your business easier, but it is important to include the related costs and obligations in your own calculations before making your decision.

3.5 Ongoing Support and Cooperation

During the agreement period, the franchise relationship may include, for example, regular contact, meetings, training, performance monitoring and joint development. The content and practices vary between franchise systems.

Before signing the agreement, find out what ongoing support the particular franchisor provides, who your contact person will be and how the cooperation is managed in practice. Also check what the franchise agreement and other franchise-specific documents say about these matters.

Cooperation also means that both parties carry out the tasks they have agreed and deal constructively with issues that arise. As the franchisee, your responsibility is to raise your observations and possible problems early enough and to fulfil the obligations agreed on your part.

4. What Are You Responsible for as a Franchisee?

As a franchisee, you operate as part of a network, but you manage your own independent company and are responsible for its operations.

The franchise concept, operating methods, training and possible support do not remove the franchisee's own responsibility. You are responsible, for example, for managing your company, its finances and profitability, employees, implementation of the concept, local sales and customer experience, and the agreed cooperation and reporting with the franchisor.

The better you understand your own responsibilities before becoming a franchisee, the more realistically you can assess the role you are committing to.

4.1 Managing Your Own Business

As a franchisee, you are the manager of your own company. Your responsibility is to ensure that day-to-day operations run smoothly, agreed matters are implemented and the business is managed purposefully.

Management means planning, decision making, monitoring operations and responding to problems. Even if you personally spend a great deal of time on practical tasks, you also need to reserve time for managing your company.

The franchisor's operating methods may provide tools and a framework, but you must personally monitor your own company's sales, costs, employees, customer feedback and other matters that are important to the business.

You do not need to do everything yourself. You can delegate responsibility to employees or managers, but responsibility for managing the overall business remains with you.

The better you know the day-to-day reality and key figures of your company, the earlier you can identify both successes and possible problems and respond to them.

4.2 Finances and Profitability

As a franchisee, you are responsible for the finances and profitability of your own company. The franchisor may provide, for example, calculations, key figures or tools for financial monitoring, but your company's financial performance and obligations remain your responsibility.

You need to understand your company's key figures and monitor sales, costs, profitability, cash flow and liquidity regularly. Monitoring turnover alone is not enough.

Your accountant and other specialists can help you, but financial management cannot be outsourced completely. As the business owner, you need to know how your company is performing and be able to respond early enough if results deviate from plan.

Financial starting points, calculations, financing and risks are discussed in more detail in the next chapter.

4.3 Employees and Employer Responsibilities

If your company employs staff, your company is their employer and is responsible for the obligations that belong to an employer.

The franchisor may provide HR-related operating models, training or other agreed support, but responsibility for recruitment, employment contracts, wages, work schedules, induction, occupational safety and other employer obligations belongs to the franchisee's company.

Your employees put the franchise concept into practice and meet customers every day. It is therefore your responsibility to ensure that employees know their own duties and the operating methods and quality requirements of the concept that apply to their work.

You can delegate responsibilities to managers and other employees, but the employer's responsibility does not transfer to them. You need to know what is happening in your company, intervene when problems arise and ensure that employer obligations are handled appropriately.

Before becoming a franchisee, also assess what kind of workforce the business requires and whether you are prepared to act as an employer. The number of employees, their competence and the way they are managed have a significant effect on both operating quality and your company's profitability.

4.4 Following the Franchise Concept

As a franchisee, you are responsible for ensuring that the franchise concept is implemented in your own company as agreed. This applies both to your own actions and to the work of your employees.

You need to know the operating methods that apply to your business and ensure that your employees also understand the relevant instructions and act accordingly.

The franchise agreement may define how the franchisor monitors implementation of the concept and how possible deviations are addressed. As the franchisee, it is your responsibility to deal with feedback you receive and ensure that agreed corrective actions are carried out.

If you identify development needs in the concept or operating methods, raise your observations with the franchisor. Changes to shared elements of the concept are not made solely on the decision of an individual franchisee.

Consistent implementation of the concept supports the shared brand, the customer experience and consistent operation across the franchise network.

4.5 Local Sales and Customer Experience

The franchise brand and shared marketing can help customers find your business, but they do not guarantee sales on their own.

As a franchisee, you are responsible for the local activity of your own business and for ensuring that the customer experience is delivered in accordance with the concept. You are also responsible for making sure that your employees understand their role in creating good service and customer experience.

In local sales, marketing and communications, you follow the agreed operating methods and brand guidelines of the franchise. At the same time, find out where you can make use of your own local knowledge and take your own initiatives.

Monitor customer feedback and the sales development of your own location. Local sales work, understanding your customers and providing a good customer experience are central parts of managing your own business.

4.6 Reporting and Cooperation with the Franchisor

As a franchisee, you commit to providing the franchisor with the information agreed in the franchise agreement or otherwise agreed, in the required format and within the agreed timetable. Reporting may concern, for example, sales, costs, employees, customer feedback and other matters relevant to monitoring the business.

Before signing the agreement, find out what information must be reported to the franchisor, how often it must be provided and which systems are used for reporting.

The cooperation may also include participation in agreed meetings, training and joint development activities. You may be expected to be active, provide constructive feedback and implement agreed actions in your own business.

Important discussions, agreed actions and responsibilities should, where appropriate, be confirmed in writing. Clear documentation reduces misunderstandings and makes it easier to check later what was agreed.

The parties do not need to agree on everything in a franchise relationship. What matters is that agreed matters are handled, information flows and possible problems are addressed early enough.

5. Financial Responsibility and Risk

Franchising requires a financial commitment and a willingness to carry the risks that come with entrepreneurship. The franchise concept, brand and possible support can provide a starting point for the business, but they do not guarantee sales, profitability or the franchisee's livelihood.

Before making your decision, you need to understand how much money is required to launch the business or acquire an existing operation, how the business will be financed and what level of sales gives the company a realistic possibility of covering its costs and operating profitably.

At the same time, assess your own financial capacity. Sales may develop more slowly than expected, costs may rise or other unforeseen situations may occur.

This chapter covers the key financial questions you should clarify before making investment and financing decisions.

5.1 Initial Investment and Working Capital

The initial investment is the amount of money required to establish the company, launch operations or purchase an existing business. The amount depends, among other things, on the industry, concept, location and whether you are opening a new unit or acquiring an existing business.

The investment may include, for example, the initial franchise fee, renovation of the premises, furniture, machinery, equipment, systems, opening inventory, permits, deposits and other costs related to opening.

In addition to the initial investment, you need sufficient working capital. Working capital is used to pay the company's ongoing expenses before sales income is enough to cover them. These costs may include, for example, wages, rent, purchases, taxes, insurance, loan repayments and fees paid to the franchisor.

One of the most common mistakes is to estimate the initial investment fairly carefully but reserve too little working capital. Sales may develop more slowly than expected, the launch may be delayed and unforeseen costs may arise during the early stages.

Find out what the franchisor's stated investment estimate is based on, what it includes and which costs are excluded. Then prepare your own calculations based on your own location and financing.

If you are buying an existing business, take into account not only the purchase price but also possible repairs, replacements, replenishment of inventory and other investments required to continue operating the business.

Sufficient working capital gives your company more time to build sales and cope with a launch that does not develop exactly as planned.

5.2 Initial Franchise Fee and Ongoing Fees

Joining a franchise system may involve an initial franchise fee. Its amount, content and payment terms vary between franchise systems.

Before signing the agreement, find out what is included in the initial franchise fee and which services, training, materials or purchases are charged separately. Also check whether a new agreement period, renewal agreement or opening an additional location may involve new fees.

In addition to the initial franchise fee, the franchisee may be charged an ongoing franchise fee, a marketing fee and, for example, fees related to systems, software or other services. Fees may be based on turnover, a fixed monthly amount or a combination of these.

Find out how every fee is calculated and calculate its effect using your own sales estimates. A turnover-based fee may be payable even when the company is making a loss.

Do not look at fees only as individual percentages or euro amounts. Calculate their total effect on your company's costs and profitability and establish what you receive in return for the fees in the particular franchise system.

5.3 Sales, Costs and Profitability

Sales tell you how much customers buy from the business, but they do not tell you how much money remains after costs. You also need to understand your company's cost structure, gross margin and the level of sales at which the business covers all of its costs.

Costs may include, for example, products and materials, wages and other employee costs, rent, electricity, insurance, systems, accounting, marketing, financing costs and fees paid to the franchisor. The cost structure varies depending on the business model.

Some costs remain relatively similar regardless of the level of sales, while others increase as sales increase. It is therefore important to understand which costs are fixed, which are variable and how they affect your company's profitability.

Find out how much your company needs to sell per day, week and month to cover all of its costs. Also understand what generates sales in practice. Depending on the industry, key drivers may include customer numbers, average transaction value, prices, opening days or the amount of billable work.

When you understand your company's sales, margins and cost structure, you can monitor the business more effectively and make more realistic financial decisions.

5.4 Financing and Your Financial Capacity

Launching a franchise business may require external financing in addition to your own capital. Financing may consist, for example, of a bank loan, financing from Finnvera, leasing or other forms of business finance.

Find out carefully how much of your own money you need, what collateral or personal commitments are involved in the financing and which debts you may be personally liable for. The financial risk of running a business may extend beyond the money you invest directly in the company.

Do not assess financing only by asking how large a loan you can obtain. More importantly, assess how much debt your business can realistically service even if sales are lower than planned.

Also maintain an adequate financial buffer both in the company and in your personal finances. Do not automatically invest all available funds in the business.

One point I want to emphasise from years of experience is this: money shown in the company's bank account is not the same as money that is freely available to the business owner. It may still be needed to pay, for example, wages, taxes, VAT, rent, supplier invoices, loans and fees to the franchisor.

I have seen situations where, soon after the business has opened, a franchisee has made major personal purchases before the company's finances have had time to stabilise. During the early stages, it is generally wiser to strengthen the company's finances and build an adequate buffer.

A positive financing decision from a lender is not a guarantee that the business will succeed. You remain ultimately responsible for the investment decision and for accepting the associated risk.

Where necessary, review your financing plan with an accountant, business adviser, lender or other specialist. Do not commit to financing if you do not understand its terms, collateral requirements or personal liabilities.

5.5 Evaluating Financial Projections

The franchisor may provide business calculations, budgets or examples of key figures from other locations. These can be useful sources of information, but you should not make an investment decision on the basis of them alone.

Always prepare your own calculations as well.

Base your calculations on the specific business you are establishing or buying. Take into account, among other things, the location, rent, employees, payroll costs, financing, franchise fees, the cost of products and services, marketing, your own work contribution and your personal livelihood.

Do not prepare only one calculation. In addition to a realistic base case, prepare a more cautious scenario in which sales are lower than expected or costs increase. Also determine the minimum level of sales at which the business can meet all of its obligations and how much remains after that for your own livelihood.

If a relatively small change in sales or costs makes the business loss-making or creates payment difficulties, stop and assess whether the financial margin for error is sufficient.

If you use calculations provided by the franchisor, find out what the figures are based on. Are they actual results or forecasts, from what period and what kind of location, and which costs have been included?

If you are buying an existing business, compare its actual figures with your own calculations. The previous owner's work contribution, employees, financing and cost structure may differ from yours.

Where necessary, review your calculations with an accountant, lender or other specialist. Calculations cannot tell you with certainty what will happen in the future, but they help you assess more clearly the financial risk you are considering taking.

5.6 What If Sales Do Not Develop as Planned?

Not every business launches according to plan. If sales fall short of target, the most important thing is to identify the situation early and determine what is causing the difference.

Compare actual sales, margins, costs and cash position with your calculations. Then determine whether the problem relates, for example, to customer numbers, average transaction value, local awareness, the product, service, employees or the cost structure.

Where appropriate, raise the situation with the franchisor as well. The franchisor may have experience of similar situations or agreed operating methods for dealing with them, but responsibility for decisions in your own company and for carrying out the necessary actions remains with you.

Do not cut costs automatically simply because sales are below target. Saving in the wrong area may weaken service or sales even further. Actions should be based on where the actual problem lies.

Monitor liquidity and how long your working capital will last particularly carefully. If the financial situation deteriorates, contact your accountant, lender or another relevant specialist early enough.

Perseverance is important in entrepreneurship, but it does not mean continuing an unprofitable business indefinitely. Consider in advance at what level of sales, profit, cash position or available financing you will stop and reassess the situation thoroughly. Defining such limits is part of responsible risk management.

6. Becoming a Franchisee

When you find a franchise opportunity that interests you, an evaluation process begins during which you receive more information about the franchisor, the business and the opportunity to become a franchisee.

The process usually progresses in stages from the first contact to a more detailed evaluation, assessment of financial requirements and a possible decision to begin cooperation. The process can, however, differ between franchise systems.

Your role is not only to tell the franchisor about your background and goals. Use the process to assess the business, the franchisee role, the financial requirements and whether the particular franchise system is right for you.

The aim is not to reach an agreement as quickly as possible, but to form a sufficiently clear overall picture before making the decision.

6.1 The First Contact

Your first contact with a franchisor may take place, for example, through the franchisor's website, a franchisee application, an entrepreneurship portal, an advertisement or direct contact.

You may be asked for basic information about your background, your current situation and why you are interested in the particular franchise opportunity. Some franchisors ask candidates to complete an application or questionnaire before the first discussion.

Be open and honest about your situation, goals and plans from the beginning. Also disclose matters relating to your employment history, previous entrepreneurship or financial situation that may be relevant to establishing a new company, obtaining financing or beginning the cooperation.

You do not need to have every skill in advance, but you must be willing to learn the concept and operating methods of the particular franchise system. Training, however, cannot replace openness and honesty.

Do not try to present the version of yourself that you think the franchisor wants to see. If your available time, intended work contribution, goals or financial resources do not match the requirements of the opportunity, it is better to identify that as early as possible.

Be prepared to ask questions yourself as well. You do not need to clarify everything during the first discussion, but you should gain at least a basic understanding of the franchisee role, the required personal involvement, the approximate investment level and how the process will proceed.

After the first contact, you do not yet need to know whether you want to become a franchisee of that particular system. At this stage, it is enough to decide whether the opportunity is worth exploring in more detail.

6.2 Getting to Know the Franchise and the Business

When the interest is mutual, the evaluation of the franchise and the business becomes more detailed. At this stage, your task is to form as realistic a picture as possible of the business you may be entering.

Marketing materials and websites provide basic information, but you should also familiarise yourself with the practical day-to-day reality of the business. Where possible, visit an operating location and observe what kinds of customers it serves, how operations are organised, how many employees are needed and what the franchisee's role looks like in practice.

Consider whether you can imagine yourself doing this work and managing the business on an ordinary Monday, not only when the new opportunity feels exciting.

Find out how closely the franchisee is expected to be involved in operations and how working time is divided, for example, between customer work, employee management, sales, marketing and financial monitoring.

Also get to know the people you would be working with and find out how communication with the franchisor is organised in practice.

As the process progresses, you will usually receive more detailed business information. Some information may be confidential and access to it may require a non-disclosure agreement. Confidential information must be handled in the agreed way.

Take notes during the evaluation and write down your questions. The purpose is not to look for faults in the franchisor or to convince yourself that you must be accepted, but to understand as realistically as possible what it would be like to operate this particular business as a franchisee.

6.3 Mutual Evaluation Between You and the Franchisor

Selecting a franchisee is a mutual process. The franchisor assesses whether your background, goals, way of working and financial resources fit the particular concept. At the same time, your task is to assess whether the franchisor, business model and franchisee role fit you.

A franchise agreement is often made for several years, so the decision should not be based only on the business appearing attractive or the first discussions going well.

The franchisor may assess, for example, your motivation, readiness for entrepreneurship, skills, management style, ability to cooperate, financial resources and willingness to commit to the concept. Different franchise systems place different weight on different factors.

Be open about your own situation as well. If something material changes during the process, for example in your finances, employment situation, available time or plans, raise it before a decision is made.

At the same time, assess the information you receive. Do you understand what the franchisee role means in practice, what is required from you, what the cooperation includes and what you would be committing to under the agreement?

In a long-term relationship, the parties will not always have the same view. More importantly, assess whether you can deal with difficult issues professionally and operate in accordance with the agreed terms.

6.4 Assessing the Financial Requirements

The financial requirements should be assessed early enough in the franchisee recruitment process. It makes little sense to take the process very far if it later becomes clear that there is no realistic way to finance the business.

The franchisor may ask about the amount of your own capital available, your possible need for financing and other financial starting points. Answer these questions openly and realistically.

Explore your financing options early enough as well. A discussion with a bank, Finnvera or another lender can help you assess under what conditions financing the project might be possible.

To apply for financing, you will usually need information about the planned investment, the business and your own calculations. The franchisor may provide some information about the business, but you are responsible for assessing your own financial starting point and preparing your own calculations.

If financing cannot be arranged or the overall plan does not otherwise look financially realistic, stop and reassess it. Sometimes the right answer is to wait, consider another business opportunity or decide not to proceed.

6.5 Your Decision Should Not Be Based on Pressure or Urgency

Becoming a franchisee is a significant decision involving your own work, finances and often an agreement lasting several years. It should therefore not be made in a hurry. Give yourself enough time to examine the business, financial calculations, franchise agreement and other material terms before making a final commitment.

If anything remains unclear, resolve it before making your decision. Do not sign an agreement simply because you are afraid the opportunity will disappear or because a great deal of time has already been invested in the process. The process may involve deadlines relating, for example, to premises, financing or a planned opening, but it remains your responsibility to ensure that you understand the matters that are material to your decision before committing.

If entrepreneurship will also affect your family's everyday life or finances, discuss those effects at home in advance. A good decision does not mean that every risk has disappeared; it means that you have examined the overall picture, understand what you are committing to and make the decision from your own starting point.

7. The Franchise Agreement

The franchise agreement defines the key terms of the cooperation between you and the franchisor. It covers, for example, the rights and obligations of the parties, the agreement period, fees, territory and the terms under which the cooperation may be renewed or terminated.

Read the agreement carefully as a whole and try to understand what its terms mean in practice for the operation, finances and day-to-day management of your own company. In addition to the franchise agreement itself, the overall contractual package may include appendices, manuals, instructions or other documents referred to in the agreement, so make sure you understand their significance as well.

If any term remains unclear, resolve it before signing. Do not base your decision on assumptions or verbal discussions; make sure the matters that are important to you correspond with what is stated in the agreement and related documents.

A franchise agreement is often made for several years, so its significance extends far beyond launching the business. You need to understand what you are committing to for the entire agreement period.

7.1 Agreement Period and Territory

Before signing the agreement, find out how long the franchise agreement lasts, when the agreement period begins and for how long you are committing to the cooperation. Also check how any continuation after the initial agreement period is determined.

At the same time, find out how your territory or location is defined in the agreement. The territory may be a particular town or city, postcode area, another defined area or a specific business location. Check whether the territory is exclusive or whether the franchisor or another franchisee may operate in the same or a nearby area.

Also take other sales channels into account. E-commerce, home delivery, centralised sales or business-to-business customers may cross traditional territorial boundaries, so you should understand their effect on your own business before signing the agreement.

If your goal is to open additional units or expand your territory later, find out under what conditions this is possible. Do not assume that you have such a right unless it has been specifically agreed.

7.2 Rights and Responsibilities of the Parties

The franchise agreement defines the key rights and obligations of both the franchisee and the franchisor. Read these provisions carefully and make sure you understand what they mean in practice throughout the agreement period.

The franchisee's obligations may include, for example, following the concept and operating methods, using agreed products, systems and suppliers, paying fees, reporting, participating in training and maintaining the brand and quality standards. The franchisor's obligations, in turn, are determined by what has been agreed in the franchise agreement and related documents, for example regarding the right to use the concept, training, support, systems, marketing and other services.

Pay particular attention to what general wording in the agreement means in practice. A reference to training, support or cooperation alone does not define its content, scope or method of delivery.

Also find out in which areas the franchisor has the contractual right to make changes during the agreement period and what those changes may mean for the operation and costs of your own company. At the same time, check what the agreement provides for situations in which either party fails to fulfil its agreed obligations.

The aim is for you to understand as clearly as possible before signing both your own obligations and what has been agreed with the franchisor.

7.3 Fees, Investments and Other Financial Terms

The franchise agreement defines the fees payable to the franchisor and how they are calculated. These may include, for example, an initial franchise fee, ongoing franchise fee, marketing fee and fees related to systems, training or other services. Also find out whether the fees may change during the agreement period and on what basis.

Pay attention as well to investments that may be required from you during the agreement period. Refurbishment of premises, replacement of furniture or equipment, changes to systems or brand updates can create significant costs, so check the agreement to understand under what conditions such changes may be required and who is responsible for the costs.

Also clarify any minimum purchase requirements, mandatory purchases, use of specified suppliers and other financial obligations. Do not look at the terms only as individual fees; assess their overall effect on your company's costs, cash flow and profitability throughout the agreement period.

If any fee, investment obligation or other financial term remains unclear, resolve it before signing and include it in your own calculations.

7.4 Renewal and Termination of the Agreement

Before signing the first franchise agreement, find out what happens when the agreement period ends and under what conditions the cooperation may continue. Check whether the agreement renews automatically, whether a new agreement is required or whether continuation requires a separate decision by both parties. A new agreement period may also involve new terms, fees, investments or other obligations.

It is equally important to understand whether a fixed-term agreement can be terminated before the end of the agreement period and on what conditions. Do not assume that you can leave the agreement whenever you choose. Your life situation, goals or ability to continue as a business owner may change over the years, but termination is governed by the terms of the agreement.

Also check on what grounds the franchisor may terminate the agreement and what consequences may follow. The agreement may define, for example, circumstances in which a breach of contractual obligations, failure to pay fees or serious operation contrary to the concept may lead to the cooperation ending.

Also find out which obligations remain in force after the cooperation ends. These may concern, for example, discontinuing the use of the franchise marks, returning materials, systems, competition restrictions or the handling of confidential information.

The terms relating to renewal and termination may not feel like the most important matters when you are just starting, but later they may become some of the most significant provisions in the entire agreement.

7.5 Selling the Business and Changes of Ownership

Your time as a franchisee may eventually end because you want to sell your business or company to a new owner. For this reason, find out before entering into the franchise agreement whether a sale is possible and under what conditions a change of ownership can take place.

A franchise business generally cannot be sold freely to just anyone. The agreement may require the franchisor to approve the new franchisee and may require the buyer to meet the franchisor's criteria and enter into the necessary agreements. Also find out how a buyer is approved, who may search for a buyer and whether a change of ownership involves fees, training or other costs.

One of the most important questions is what you will actually be selling later. Find out what assets, contracts, customer relationships and other rights your company will accumulate, which of them belong to you and which can be transferred to a new owner. Do not automatically assume that everything you build over the years, or all rights connected with the business, can be sold onward.

The structure of the transaction also affects what is being sold. The transaction may involve, for example, the business and its assets or the shares in the company, but transfer of the franchise rights is governed by the terms of the franchise agreement.

Remember that the eventual sale price of the business is not determined by how much you have personally invested in it. Profitability, cash flow, location, customer base, contracts, the condition of equipment and the future prospects of the business all affect whether a buyer can be found and at what price.

7.6 Non-Compete Clauses, Other Business Activities and Restrictions After the Agreement

The franchise agreement may contain a non-compete clause and other terms that restrict your ability to engage in other business activities during the agreement period. Find out carefully what the agreement means by competing activity, ownership of other companies, participation in their operations and the franchisee's own work contribution.

Over the years, I have seen several disputes in which a franchisee established another company without first discussing it with the franchisor. The problem has not always been direct competition. The agreement may, for example, contain a term stating that the franchisee's work contribution to the franchise business must not materially decrease, in which case other business activities may also affect the franchise relationship.

If you already have other business activities, disclose them before signing the agreement and, where necessary, confirm in writing how they relate to the franchise agreement. The same applies to a company established later or your participation in another company's activities. Take particular care if the activity competes wholly or partly with the franchise. The fact that a company is formally in the name of a relative or another person does not in itself determine how your own involvement will be assessed.

Also find out whether a non-compete clause or other restrictions continue after the agreement ends or the business is sold, how long they remain in force and what activities they cover. At the same time, check any consequences of breaching those terms.

If the meaning of the non-compete clause, other business activities or post-termination restrictions is unclear, review the terms with a lawyer who understands franchising before signing. Uncertainty in these matters is much easier to resolve in advance than later in a dispute.

7.7 Why Should You Have the Agreement Reviewed by a Specialist?

Before signing, it is advisable to review the franchise agreement with a lawyer who understands franchise businesses and franchise agreements. It is not always easy to assess all the implications of a detailed long-term agreement from the wording of the contract alone.

The lawyer's role is to help you understand what you are committing to and what rights, obligations and risks the agreement creates in your particular situation. Pay special attention to terms that are unclear or that may have a major effect on your business, finances or ability to operate as a business owner during the agreement period.

Having the agreement reviewed does not mean that the entire franchise agreement needs to be renegotiated. In many franchise systems, franchisees use the same or a very similar agreement. A lawyer can, however, help you identify provisions that you should ask the franchisor to clarify before signing.

Where possible, choose a lawyer who understands the particular characteristics of franchising. The key question is not whether the agreement is generally good or bad, but what its terms mean in your own situation and whether you knowingly accept them.

The lawyer's role is to help you make your own decision in a considered way. The franchise agreement is signed only when both you and the franchisor have decided to begin the cooperation and have accepted the terms of the agreement.

8. What Should You Find Out Before Signing?

When signing the franchise agreement begins to become a real possibility, stop once more and look at the overall picture. At this stage, you should understand sufficiently well what kind of business you are entering, what is required from you as a franchisee, what has been agreed with the franchisor, how much money you need and which contractual terms you would be accepting.

Before signing, make sure the information that is material to your decision is sufficiently clear and that the picture you have formed of the business is based on information that is as realistic as possible. The following sections review once more the most important matters to check before making your final decision.

8.1 The Background of the Franchise and Its Business Model

Before signing, make sure you know enough about the franchisor's background and understand how its business model works in practice. Find out, for example, how long the franchise has operated, how extensive its network is and what experience it has of working with franchisees.

The age or size of a franchise system does not by itself tell you how well the particular opportunity suits you. In a younger system, operating methods may still be developing, while a longer-established system may have more practical experience. What matters is understanding the stage of development of the franchise and what that means for you as a franchisee.

You also need to understand where customers come from, how your company's sales are generated and what the main costs of the business are. You should be able to explain in your own words how the business makes money and which factors drive its profitability.

Also find out whether the franchisor is aware of plans concerning growth, the concept, systems or other operating methods that may affect your own business or investments during the agreement period.

You do not need to know everything about the franchisor's business, but before making your decision you should understand enough about the overall system into which you are investing your money, work and potentially several years of your life.

8.2 The Experiences of Existing Franchisees

Where the opportunity is available, speaking with an existing franchisee can provide valuable practical insight into the day-to-day reality of the role and cooperation with the franchisor. Such a discussion should not, however, be assumed to be an automatic part of the recruitment process; the possibility should be agreed with the franchisor.

You might ask the franchisee about their own role, daily work, induction, the launch of the business and their own experience of operating within the franchise. Remember, however, that

the franchisee may be bound by confidentiality obligations and is not responsible for disclosing confidential information belonging to the franchisor or other franchisees.

One franchisee's experience is always the experience of one person and one business. Locations, territories, costs, backgrounds and circumstances can differ considerably, so an individual experience should not be treated as the truth about the entire franchise system.

If a discussion with an existing franchisee cannot be arranged, assess the overall situation and consider whether you have received enough information in other ways to make your own decision.

8.3 Understanding the Basis of the Financial Information

Before signing the agreement, make sure you understand what the financial information presented to you is based on. If you have received figures relating to sales, costs or profitability, find out whether they are actual results, estimates or forecasts and how comparable they are to the particular business you are planning to start.

Also check which costs and assumptions are included in the calculations and whether anything material to your own company is missing. Always compare the information you receive with your own calculations based on your own location, costs, work contribution and financing.

Before making your decision, you should understand where your company's sales are expected to come from, what it will cost to operate and at what sales level the business has a realistic possibility of being profitable. If any material figure or assumption remains unclear, resolve it before signing.

8.4 What Training and Support Will You Actually Receive?

Before signing, make sure your understanding of the training, induction and support corresponds with what has actually been agreed to be provided in the particular franchise system. Find out what induction includes, when it takes place, who participates and whether it creates separate costs for you.

Also find out what support forms part of the cooperation during the launch and after the business has opened. Do not leave the matter at a general statement that the franchisor supports franchisees; try to understand as concretely as possible the content, scope and practical method of delivering that support.

It is equally important to understand the limits of support. Training, guidance or other agreed support provided by the franchisor does not remove the franchisee's responsibility for managing their own company and putting what has been learned into practice.

8.5 Are Your Expectations and the Franchisor's Expectations Aligned?

Before signing the agreement, make sure your understanding of your own role, the business and the cooperation corresponds as closely as possible with what has been discussed during the process and what is agreed in the contract.

If any material issue is still in conflict with your own goals or the franchisor's expectations, resolve it before making the decision. The issue may relate, for example, to the franchisee's work contribution, growth goals, decision-making authority, financial expectations or the way you are expected to operate as part of the franchise network.

Do not make your decision on the assumption that the franchisor, the concept or your own role will definitely change later to suit you better. Assess the opportunity on the basis of the situation as it exists now and what you would be committing to under the agreement.

The franchisor must also make its own decision on whether your goals, starting point and way of working fit the franchisee profile sought for the particular concept. A franchise agreement is created only when both parties want to begin the cooperation and accept its terms.

8.6 Resolve Open Questions Before Making Your Decision

If anything material to your decision remains unclear, resolve it before signing the franchise agreement. If you have received conflicting information at different stages of the process, ask for clarification and do not leave your decision to assumptions or to the belief that the matter will certainly be resolved later.

Also make sure that matters important to you that have been agreed are, where necessary, documented in writing in the franchise agreement, its appendices or other agreed materials. You do not need an answer to every possible future situation, but you should understand the matters that have a material effect on your finances, responsibilities, role as a franchisee and the cooperation.

Ask difficult questions before making the decision as well. The more thoroughly the material issues have been addressed and the clearer your understanding of the overall picture, the more considered your own decision about entering the cooperation can be.

9. Launching the Business

Once the franchise agreement has been signed, practical preparations for launching the business begin. Many tasks may need to be handled at the same time, so a realistic schedule, clear division of responsibilities and good preparation are important.

Find out which tasks are your responsibility, which tasks the franchisor will handle as agreed and what responsibilities any other partners may have. The goal is not simply to reach opening day, but to create as controlled a start as possible for the company's first weeks and months.

9.1 Training and Preparation

Take an active part in induction and allow enough time for it. The better you know the concept, products or services, systems and agreed operating methods before opening, the better prepared you are to manage your company when operations begin.

Over the years, I have seen many new franchisees and the launch of their businesses. My experience is very clear: the more thoroughly a franchisee has familiarised themselves with the concept and practical operations before opening, the more controlled the launch has generally been. Induction does not remove the risks of entrepreneurship, but good preparation can reduce unnecessary early-stage mistakes and make managing your own business easier.

Ask questions when something is unclear and practise especially those areas that do not yet feel certain. It is considerably easier to learn operating methods before opening than in the middle of serving your first customers and managing the daily rush.

Prepare for your own role as a business owner as well. In addition to practical operations, you need to understand your company's key financial figures, employer responsibilities, local sales and the agreed reporting and cooperation with the franchisor. If your company employs staff, you are also responsible for ensuring that they are trained for their roles and to operate in accordance with the concept.

You do not need to know everything perfectly on the first day. What matters more is that you understand the fundamentals of the business, know your own responsibilities and know how to find the information you need when necessary.

9.2 Premises, Permits and Practical Arrangements

Launching the business often requires a great deal of practical preparation before the first customer arrives. The tasks required depend on the industry, concept and whether the business is based, for example, on physical premises, a mobile service or another operating model.

If the business operates from premises, make sure they are suitable for the planned activity and the franchise concept. Clarify in good time any renovation work, furniture, equipment, signage, telecommunications and other arrangements required for opening. Pay particular attention to the

length, costs and other terms of the lease and how they fit with the franchise agreement and your own financial calculations.

Where necessary, you can use an external specialist to help with finding premises, assessing the location and negotiating the lease. A long-term or financially significant lease in particular is a decision whose effects should be assessed carefully before you commit.

Also establish which permits, notifications, registrations and insurance your business requires and who is responsible for arranging them. Do not assume that the franchisor handles regulatory matters on your behalf unless this has been specifically agreed. Before opening, also make sure that the necessary systems, equipment and other matters essential to operations are ready for use.

A clear division of tasks and responsibilities makes the launch easier: what you handle yourself, what the franchisor handles as agreed and what belongs, for example, to the landlord, contractor or system provider. Leave some flexibility in the schedule as well, because renovation work, deliveries, permits and system implementation do not always progress according to the original plan.

9.3 Your First Customers and Building Local Awareness

Opening the business does not mean that customers will automatically find you. Even a franchisee operating under a well-known brand must actively build the customer base of their own location or territory. In accordance with what has been agreed with the franchisor, find out how the opening will be communicated, what shared marketing will be carried out and which local sales and marketing activities are your own responsibility.

Depending on the industry, local sales may include, for example, contacting business customers, local partnerships, events, social media or other active customer acquisition. In many businesses, it is worth starting to build awareness and customer relationships before the official opening day.

Marketing may persuade a customer to try your business, but the customer experience influences whether they return. Ultimately, customers pay your company's bills, wages and your own livelihood, so every customer interaction matters. As the business owner, you are responsible for ensuring that your employees also understand the importance of customer service and the agreed operating methods of the franchise.

From the first days, monitor customer feedback, demand and which products or services attract interest. Respond quickly to matters you can improve in your own operations and take concept-related development suggestions to the franchisor. Local initiative does not mean changing agreed products, pricing or other elements of the concept independently.

The goal of the first weeks is not simply to maximise short-term sales. More importantly, begin building a customer base that returns, recommends your business and gives the operation a foundation for growth.

9.4 Monitoring Finances During the First Months

The first months of the business are particularly important financially. This is when you see for the first time how well the calculations and forecasts prepared before opening match the reality of the business.

From the beginning, monitor sales, costs, margins, cash position and other key indicators relevant to your business on a regular basis. Depending on the concept, important measures may include, for example, personnel costs as a percentage of sales, average transaction value, customer numbers, raw material costs or utilisation rate. What matters is that you understand what the figures are telling you and how they affect your company's profitability.

Compare actual figures with your own calculations and budget. If sales, margins or costs differ from plan, identify the reason early and respond before a small deviation develops into a larger problem.

Monitor liquidity particularly carefully. The company must be able to pay wages, taxes, rent, loans, purchases and other obligations when they fall due, so looking only at turnover or accounting profit is not enough.

Use your accountant, any reports the franchisor may provide and other specialists, but do not outsource financial management completely to others. As the business owner, you need to know how your company is actually performing and be able to make decisions based on the figures.

9.5 When and How Should You Ask for Help?

As a business owner, you do not need to know or solve everything alone. More important is recognising early enough when you need help and knowing whom to ask. If something in your business begins to deviate clearly from normal or you cannot find a solution yourself, address the situation before the problem grows.

Depending on what has been agreed in the relationship, the franchisor may be one source of support for questions relating, for example, to the concept, sales, marketing or operating methods. The franchisor is not, however, the right party for every situation. For financial matters you may need an accountant or lender, for legal matters a lawyer and for employee matters an appropriate specialist where necessary.

When asking for help, describe the situation as openly and concretely as possible. Explain what the problem is, when it began, what you have already done and what your company's figures or other information show. The clearer the overall picture, the easier the situation is to assess.

Asking for help does not transfer responsibility for your company to someone else. You make the decisions concerning your own business, but good management also includes knowing when to use the right specialists because your own expertise is not enough.

10. Making the Decision to Become a Franchisee

There is always uncertainty involved in becoming a franchisee. You cannot know every future situation or risk in advance, and a considered decision does not mean complete certainty. The decision should, however, be based on sufficient information and a realistic understanding of the business, financial responsibility, the franchisee role and the terms of the cooperation.

At this stage, you have considered the franchisor, the business, the finances, the franchise agreement and your own starting point as a business owner. Your task now is to assess whether they form an overall package to which you are prepared to commit. At the same time, the franchisor makes its own final assessment of whether it wants to begin the cooperation with you.

A franchise agreement is created only when both parties have decided to begin the cooperation and have accepted the terms of the agreement.

10.1 Signs of a Well-Considered Decision

A good decision does not mean that you will not feel nervous. A significant investment, starting your own company and potentially committing for several years are major decisions. More importantly, you should be able to explain to yourself why you want to become a franchisee of this particular system and what your decision is based on.

Your decision should be based on as realistic an overall picture as possible of the business, finances, agreement, franchisee role and cooperation. You do not need to know everything about the future, but you should understand the opportunities, responsibilities and risks that are material to your decision and accept them knowingly.

There is no perfect franchise system or completely risk-free business model. What matters is assessing whether the overall package, the franchisee role and the way of working together suit you and whether you can operate within the terms and framework to which you are committing.

If you find yourself thinking that a material problem or uncertainty will certainly sort itself out later, resolve it before making the decision. At the same time, distinguish genuine warning signs from the normal uncertainty that comes with major decisions about entrepreneurship.

When you understand the overall picture well enough, understand the responsibilities and risks involved and still want to proceed, you are in a stronger position to make your own considered decision. The cooperation itself begins only if the franchisor also makes a positive decision.

10.2 When Should You Wait?

If franchising interests you but something material to the decision is not yet in place, waiting may be the right answer. Financing may still be unresolved, your life situation may require more time or a key question about the business, agreement or your own role may still need to be clarified.

Take particular care with business premises. Location, rent level, customer flows, accessibility and the terms of the lease can affect the business for a long time. A poor location or an excessively heavy rent burden is difficult to correct through hard work alone, so it can sometimes be better to wait for a more suitable option than to rush into the wrong premises for several years.

Waiting does not mean searching for a perfect moment. Entrepreneurship always involves uncertainty, and not every future situation can be resolved in advance. What matters is recognising the difference between normal uncertainty about starting something new and an unresolved issue that could materially affect your company's finances or ability to operate.

If an important starting point is not yet strong enough, give yourself time to resolve it. Once the material matters are in place and what remains is mainly the normal nervousness of starting something new, waiting may no longer improve your decision.

10.3 When Should You Say No to a Franchise Opportunity?

Sometimes the considered decision is not to proceed. The franchise may be interesting and the business model may work, yet the particular opportunity may still not suit your goals, life situation, financial starting point or preferred way of working.

If something material to the decision still does not feel acceptable after careful investigation, stop and consider it. Excessive financial risk, a franchisee role that does not suit you, a contractual term you do not want to accept or an unclear overall picture can all be valid reasons not to enter the cooperation.

Also assess your own attitude towards the concept. If, before signing, you already know that you do not want to follow the shared operating methods or intend to handle key matters in your own way regardless of the agreement and concept, becoming a franchisee of that particular system is probably not the right solution for you.

A process that has progressed a long way does not mean that an agreement must be signed. Even if you have spent time in discussions, preparing calculations and investigating financing, that work has not been wasted if it leads to a considered decision not to proceed. Equally, the franchisor may conclude during the process that there is not a sufficient basis for cooperation.

If you decide not to proceed, tell the franchisor openly and, where possible, briefly explain the reasons that influenced your decision. Constructive feedback can help the franchisor improve its franchisee recruitment, communications or franchisee model. It is also courteous to both parties, particularly when a significant amount of time has been invested in the process.

The purpose of the franchisee recruitment process is not to force the parties towards an agreement, but to help both sides assess whether there is a sufficient basis for cooperation. A well-handled decision not to proceed can also leave both parties with a positive impression of each other.

10.4 Checklist Before Making Your Final Decision

Before signing the franchise agreement, review the whole picture once more. Make sure, at a minimum, that the following statements are true:

- I understand what franchising means in practice and that I operate as an independent business owner with my own financial responsibility.
- I know why I want to become a business owner and why this particular franchise interests me. I also understand the personal work contribution and commitment expected from me.
- I have familiarised myself sufficiently with the franchisor's background, concept, operating methods and franchisee role, and I have clarified what is included in training, support, marketing, systems and other cooperation.
- I have established the total investment, working capital requirement and ongoing costs, and I have prepared my own realistic financial calculations, including a scenario in which sales are lower than planned or costs increase.
- My calculations take account of my own work contribution and livelihood, and I understand the key indicators of my business and the level of sales required to meet its obligations.
- I understand the collateral, guarantees and other possible personal liabilities connected with the financing.
- If the business requires premises, I have assessed the location, rent level, lease terms and their effect on the business.
- I have reviewed the franchise agreement and related documents as a whole and understand the agreement period, territory, fees, investment obligations, non-compete provisions and other key terms.
- I understand the conditions under which the cooperation can be renewed or terminated and what happens if I later want to sell my business or company.
- Where necessary, I have reviewed the franchise agreement with a lawyer who understands franchise business.
- The matters material to my decision are sufficiently clear, and I am not basing my decision on assumptions or on the belief that an important issue will certainly be resolved later.
- I have been open with the franchisor about my background, situation and goals and have disclosed matters that may be relevant to franchisee selection or the cooperation.
- I am prepared to operate in accordance with the franchise concept and agreed operating methods even when I personally might do something differently.

- I have considered the effects of entrepreneurship on my own life situation and, where necessary, discussed them with my family as well.
- I am not making the decision only because of urgency, excitement or the time already invested in the process. I am also prepared to wait or decide not to proceed if a material issue is not in order.

Once you have worked through these points, you should be able to answer one central question for yourself: now that I understand this overall picture, do I still want to proceed as a franchisee of this particular system?

The franchisor also makes its own final decision on franchisee selection. The franchise agreement is signed only when both parties have decided to begin the cooperation and have accepted its terms.

In Closing

Franchising can be a good way to become a business owner. The franchise concept, brand, operating methods, training, possible support and franchisee network can give you a more established starting point than building an entirely independent business model from scratch. It is still entrepreneurship, however, and involves your own work, responsibility and financial risk.

The purpose of this guide has not been to convince you that you should become a franchisee, nor to make you doubt a good business opportunity simply because not everything about the future can be known in advance. The aim has been to help you understand as realistically as possible what you may be entering and what you should clarify before making your decision.

Over the years, I have seen wonderful successes in franchising, but also difficult periods and situations in which everything has not progressed according to plan. There is no single formula for success. The franchisee's work contribution, management, sales, financial control, location, market conditions, timing and ability to respond to change all affect the outcome.

I have also seen franchisees whose first years were difficult but who found solutions, developed the way they operated and later became very successful. A difficult start does not automatically tell the whole story of a business. Perseverance matters, but it must be combined with the ability to monitor figures, identify the causes of problems, make necessary changes and use the help that is available.

In a franchise relationship, both parties have their own tasks and responsibilities based on what has been agreed in the franchise agreement and other documents governing the cooperation. The franchisee is responsible for managing their own company, taking care of customers, employees, sales and finances and implementing the concept as agreed. The franchisor's tasks and the services provided to franchisees, in turn, are determined by the agreements and operating model of the particular franchise system.

Over the years, I have seen successful franchisees come from many different backgrounds. There is no single correct type of franchisee. The foundations for success can be built from many starting points when motivation, responsibility, ability to cooperate and willingness to learn are in place.

I hope this guide has helped you look at franchising from the perspective of both opportunities and responsibilities. If, after doing the necessary work, this business, this franchise and this way of being a business owner still fit your goals and circumstances, you can make your own decision to proceed on a considered basis. The cooperation itself begins only if the franchisor also wants to proceed and both parties accept the terms of the relationship.

If your decision is not yet, or not with this franchise, that can also be a good and considered outcome. At its best, a well-managed franchisee recruitment process gives both parties a better understanding of what kind of cooperation suits them.

If you would like to discuss general questions about franchising or better understand the franchisee recruitment process, Franchisetori can help you structure the overall picture and identify matters you should clarify before making your decision.

Franchisetori does not make the decision on your behalf. If you need personal legal, financial, tax or financing advice to support your decision, use an independent specialist with relevant expertise.

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