

WHY BUY A FRANCHISE RESALE?



**BENEFITS TO BUYING
AN EXISTING FRANCHISE**

By Jeremy Pourbaix

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8 BENEFITS TO BUYING AN EXISTING FRANCHISE

Countless individuals contemplate buying a new franchise each year without giving adequate consideration to buying a franchise resale. This can be a missed opportunity. While there are benefits to starting with a clean slate and launching a franchise from the ground up, the potential advantages that come with buying a franchise resale should not be overlooked. The amount of time, money, and energy required to launch a new franchise location can easily exceed the limits and expectations of a new franchise owner, even with the system, training, and support of a strong franchisor.

Buying a healthy franchise resale however, can enable you to shift much of your time, money, and energy from simply getting the operation off the ground to investing in marketing, improvement, and growth efforts. You are able to leverage the work and momentum already established by the previous franchise owner. Even purchasing a struggling franchise resale often catapults you past many of the hassles that come with starting from scratch (see our article “Buying a Distressed Franchise Resale” for more insights on this topic).

As you weigh buying a new or existing franchise, we invite you to consider the following **benefits to buying a franchise resale**:

- 1. Location and set up is already complete** - Site selection and lease negotiation are both time consuming and stressful processes, and there is still the configuration and furnishing of the new franchise location. Taking over an existing franchise location can save hundreds of hours of painstaking decisions, set up work, and expensive new purchases.
- 2. Customer base and brand recognition are established** - New franchise owners can easily underestimate the difficulty, expense, and anxiety that goes into bringing in the first customers and establishing a strong customer base. These are real challenges, even in a good franchise model that provides a clear launch plan. While some franchise brands are recognized just about anywhere, many brands are emerging and are not well recognized until the brand has been operating in the area for some time. If you are opening the first franchise unit in an area, there is no existing customer base and your brand recognition may not be what you hope it to be.

3. Current employees are trained and working - Buying a franchise resale often offers the true luxury of having reliable employees in place. While there can be employee-related challenges any time new ownership steps in, the benefit of having dedicated, well-trained employees in place cannot be overstated. Some business owners prefer to hire and groom their own team, but in reality this is often a trial and error process where finding, training, and keeping the right people is much easier said than done. You can still hire and train your own team when the time is right - it just doesn't have to happen right away. Even just 1 or 2 well-trained employees involved in the day to day operations will help speed up your learning curve and enable the baton to pass from the old ownership to you with fewer headaches.

4. Existing cash flow - Having cash coming in the door from day one is a huge benefit over having to work, wait, hope, and pray for that first dollar. Buying a franchise resale gives you an existing business where your focus can be on improving operations and increasing sales rather than worrying about where that first dollar is going to come from.

5. Obtaining financing - Buying an existing franchise that has tangible assets or equipment, existing customers, and a history of reliable cash flow will give lenders more confidence when making a lending decision. Depending upon the terms of your acquisition and the performance of the franchise resale, you may be able to use the existing cash flow from the franchise to pay for the business.

Buying and opening a virgin franchise territory where there are no assets in place and where there is no strong indicator of what the revenues will be can limit your financing opportunities. There is also very little certainty as to when or if your anticipated cash flow will cover your operating expenses or acquisition costs.

6. Hands on training from seller and employees - You will be required to complete the standard corporate-provided training whether you are buying a used franchise or a new one. However, buying a franchise resale gives you the advantage of getting some additional insight, practical training, and details from the sellers, especially if you negotiate to have them work with you during a transition period after the sale. The insight the sellers can offer is oftentimes more specific and insightful, sparing you from some learning curve headaches. The corporate-provided training is essential to

your success, but the hands on training and knowledge provided by the seller and their employees in an existing franchise is invaluable. Buying a franchise resale gives you direct access to both!

7. Verifiable data, proven performance, and detailed reports - Revenue, customer lists, sales reports, and other valuable performance metrics are typically available for a franchise resale because of the reporting requirements and the management systems offered by the franchisor. This enables you to better understand the true performance of the franchise for sale and identify areas of strength, weakness, and opportunity. You should always ask for this information when doing your due diligence and prior to closing a franchise resale. Unless you are acquiring a distressed operation, buying a franchise resale gives you a higher degree of confidence in establishing performance expectations, especially in the short term.

8. Inventory and equipment are in place - While the purchase price will likely reflect any inventory and equipment you acquire in a franchise resale, it is a significant savings of your time, thought, and energy to already have the necessary inventory and equipment on hand. It is possible you will need to replace some of the old or obsolete equipment or inventory when purchasing an existing franchise, but if the deal comes with some inventory and some good equipment, you will certainly save time, and possibly some money.

Buying a franchise resale may not be the right choice for everyone, but it is something that every franchise buyer should consider. Purchasing a new franchise may have a cheaper price tag on the surface, but starting from scratch is a lot of work, still requires a significant dollars, and has little or no existing momentum. All this can change the effective price tag over the course of time. For some, the best path to achieving success in the first half of the American Dream is to buy a franchise resale. Is buying a franchise resale something you have adequately considered?

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