

BUSINESS COACHING FRANCHISE

BUYER'S GUIDE

2ND EDITION



The Business Coaching Franchise
DUE DILIGENCE CHECK LIST

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Hello, prospective business coaching franchisee:

Over the past eight years, we've helped hundreds of people become business coaches. Between the two of us, we've participated in, facilitated, or had directly responsibility for over \$7.6 million in business coaching franchise and regional developer licenses for many of the world's most prominent business coaching franchise brands, including ActionCOACH™, AdviCoach™, and Sales Partners World Wide™. We've also coached and trained well over 1,500 business coaches, people just like you.

Should you decide to buy a business coaching franchise, you'll expect to receive a proven business model that creates a solid return for a reasonable amount of effort by the average operator. Whether or not this expectation is reasonable is what you're trying to ascertain as you conduct due diligence on the particular franchise you're evaluating. As you can imagine, there are good, bad, and downright ugly franchise models. So use great care in your due diligence process.

This ***Business Coaching Franchise Due Diligence Check List*** derives from our book called [The Business Coaching Franchise Buyer's Guide](#) which will be an indispensable companion as you conduct your due diligence process.

Feel free to reach out to us for help at anytime by taking advantage of your opportunity to have a "Complementary Coaching Session" with one of our certified Coaches' Coaches. You can sign up for your CCS at www.mycoachescoach.com



Good luck!

Eric Dombach and Michael Cody

Co-Founders

The Coaches' Coach

FIRST, THE LEGAL STUFF

Personally, we'd prefer a world where we didn't need the services of lawyers. But until that day arrives, we've got to dot all our i's and cross all our t's. Our attorneys say that we need to include this, especially the stuff in capital letters. So, let it be known that we're giving you the straight scoop!

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Okay, thanks for trudging through all that legalese. Now that we've got that out of the way, let's get on with it!

THE BUSINESS COACHING FRANCHISE DUE-DILIGENCE CHECK LIST

For a detailed explanation on how to complete any of the items below, see the sections and chapters of *The Business Coaching Franchise Buyer's Guide* (BCFBG) noted below.

- Obtain the franchise disclosure document (FDD) from the franchisor.**
(BCFBG Section #1, Chapter 3)

You'll receive the FDD as a matter of course as you move through the franchisor's "discovery" process.

- Compute your projected annual profit.**

(BCFBG Section #2, Chapter 2)

Here's a simple table you can fill in, using data from the FDD.

	Average Coach	Hot Coach	Super Coach	Legend	YOU
Annual Revenue	\$ 81,113	\$ 102,984	\$ 120,000	\$ 360,000	
Monthly Expenses	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000	
Annual Royalty at \$1500 Per Month	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	
Total Expenses	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	
Net Profit	\$ 39,113	\$ 60,984	\$ 78,000	\$ 318,000	

- Evaluate the franchisor's franchisee success track record.**
(BCFBG Section #2, Chapter 3)

Here's a simple table you can fill in, using data from the FDD.

	EXAMPLE	#1 (for your use)	#2 (for your use)
Active Franchises	45		
Closed (failed) Franchises	35		
Transferred (sold) Franchises	15		
Total Franchise Units Awarded by Franchisor	95		
Percentage of Closed Franchise Units	37%		
Percentage of Closed and Transferred Franchises (a more accurate measurement of failed franchises)	53%		

- Compute the franchisor's royalty break-even.**
(BCFBG Section #2, Chapter 5)

Here's a simple table you can fill in, using data from the FDD, if the franchise you're investigating charges a *flat rate royalty*.

	Average Coach	Hot Coach	Super Coach	Legend	YOU
Annual Revenue	\$ 81,113	\$ 102,984	\$ 120,000	\$ 360,000	
Monthly Expenses	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000	
Annual Royalty at \$1500 Per Month	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	

- **Compute the annual gross profit per franchisee, net of royalties.**
(BCFBG Section #2, Chapter 6)

Here's a simple table you can fill in, using data from the FDD, if the franchise you're investigating charges a *percentage based royalty*.

	EXAMPLE	#1 (for your use)	#2 (for your use)
Annual Royalty Revenues Paid to Franchisors (source FDD)	\$ 120,000		
Royalty Percentage	15%		
Annual Revenues Generated by ALL Franchises	\$ 800,000		
Active Franchisees	28		
Annual Revenue Generated Per Franchise	\$ 28,571		
Annual Gross Profit Per Franchisee, Net of Royalties	\$ 24,286		

- **Interview at least 10 franchisees.**
(BCFBG Section #2, Chapter 7)

Be sure that the 10 franchisees you choose to interview are NOT the ones recommended by the franchisor! Otherwise, you can be sure that you may not get the real scoop.

Here's the script for getting get calls back from busy franchisees if you leave several messages that go unanswered. "Hi, my name is ___ and I'm currently exploring the franchise opportunity with ___. I'm interested in the possibility of paying cash up-front for your franchise license and relieving you of your monthly royalty payments immediately. Please, call me back ASAP at ___ because I'm moving quickly on this. Thanks!"

HERE'S A LIST OF RECOMMENDED QUESTIONS:

- Exactly how many months have you been in business beginning with your initial training?
- How much did you invest to purchase your franchise license?
- How much did you invest in the training?
- How much additional money are you spending each month on operating costs including marketing, royalties, and the rest?
- What additional required expenses have been added since your original signing?
- What's your monthly break-even point in sales?
- How much revenue did you bank in the first 12 months?
- How much revenue did you bank in the second 12 months?
- How much revenue have you banked from the efforts of the franchisor's marketing campaigns?
- How much revenue have you banked as a result of the franchisor's brand recognition?
- How much money are you taking out of the business?
- What would you calculate your current ROI to be on your up-front investment?
- How soon do you see yourself achieving a return of the capital you invested?
- How do you feel about the entire venture, given the ROI you just mentioned?
- How much time are you putting into the business?
- Would you do it all over again, if you could go back in time?
- Would you be interested in selling your franchise to me? Why or why not?
- What kind of support do you get from the franchisor?
- How frequently do you have coaching sessions with your regional manager?

- How much money does your regional manager bank each month from his actual business coaching revenue?
 - How do you feel about his capabilities as your coach?
 - How much of your day is spent on prospecting and sales?
 - How much time is spent servicing each client?
 - Who are your most significant business coaching franchise competitors?
 - How often does the franchisor require you to attend additional training events?
- Determine your own likelihood of success.**
(BCFBG Section #2, Chapter 8)
Evaluate yourself against each of the 3 criteria that the *Coaches' Coach* has identified as having a very high correlation to success as a business coach:
- 1.) Less than a 10% deviation from the Flippen Profile business coach success target.** To evaluate your Flippen Profile data with a Flippen Group certified coach, order your profile here: <http://www.mycoachescoach.com/become-a-business-coach-profile>. Then contact us at support@mycoaches.com or call +1.717.201.5579
 - 2.) A strong background in marketing and selling intangibles, particularly business services.** Review your background and qualifications with your certified *Coaches' Coach*. This will be done for you at no charge. Sign up for your *Complementary Coaching Session* at www.mycoachescoach.com/free-session/.
 - 3.) Practical experience in all the business disciplines via real world experience managing a profit center.** Again, you can review your background and qualifications with a certified *Coaches' Coach* at no charge. Sign up for your *Complementary Coaching Session* at www.mycoachescoach.com/free-session/. **Complete a cash-flow forecast to calculate your required working capital.**

(BCFBG Section #2, Chapter 8)

How much working capital you need to survive the learning curve will depend heavily on how many of the 3 criteria that the *Coaches' Coach* has identified as having a very high correlation to success as a business coach you possess.

Assuming that you're investing in a reasonably good franchise system for building a business coaching practice, we recommend:

- 6 months of working capital if you meet all 3 of the criteria.
 - 12 months of working capital if you meet just 2 of the criteria.
 - 18 months of working capital if you meet 1 or none of the criteria.
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- Identify which of the following closing techniques are being used on you.**
(BCFBG Section #2, Chapter 9)
 - The Friendship Technique
 - The Personality Profile
 - The Dream Builder
 - The Higher Power Close
 - The Scarcity Close
 - The Take Away Close
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- Check out the franchisor's reputation online.**
(BCFBG Section #2, Chapter 13)

Go to www.ripoffreport.com and type in the names of the business coaching franchises you are considering as well as the names of the founder(s)/owner(s).

Negotiate the franchise agreement terms and negotiate addendums.
(BCFBG Section #2, Chapter 13 and 14)

Remember, most agreements are boilerplate, meaning that the standard agreement cannot and most likely will not be changed. However, you can insist that amendments or addendums be added to the agreement before you sign.

Here are the items you should DEFINITELY insist on as you negotiate with the franchisor. Remember – you have SIGNIFICANT leverage by virtue of negotiating with their competitors so be sure to use this!

- Partial payments over time on the up-front price of the license.
- Purchase an existing franchise license rather than a new one.
- Concessions on price of license and/or transfer fee if buying used.
- No personal guarantee.
- No payment of 5% marketing royalty unless measurable results can be proven by the franchisor.
- Percentage based royalty instead of a flat monthly fee. (This can be tough to get, but it's worth a try.)
- Money back guarantee if personal earnings objectives are not met within the first 2 years of being a franchisee.
- Reduced training fee or terms on payment.
- Ability to change out your Regional Manager if (s)he's no good.

Ask the top 7 questions that franchise sales reps DON'T WANT YOU TO ASK.
(BCFBG Section #3, Last Page)

- Who is the person who will be supporting me with a daily or at least weekly coaching call to help me grow my business?
- How much money has (s)he banked on average over the last 6 months as a business coach?
- Can I see their personal financial statements?
- I've averaged the earnings of your franchisees together and it comes to _____. Why is this so low?
- Can you tell me the names of 3 franchisees that have actually banked revenue from the effects of the brand or the efforts of the franchisor?
- Will you give me all of my money back 12 months from now if I can't make this work?
- Will you allow me into your system without a personal guarantee?

Compare the Franchisor's Features and Benefits.
(Section #1, Chapter 4)

Use this table to compare the franchise you're investigating to the other major players in the industry. All information is believed to be accurate based on available Franchise Disclosure Documents, web sites, franchisee interviews and other forms of research. Please contact us immediately if you believe that any of this information is erroneous.

TRADITIONAL BUSINESS COACHING FRANCHISES					
	ACTIONCOACH™	ADVICOACH™	FOCALPOINT™	GROWTH COACH™	SALESPARTNERS WORLDWIDE™
Can I get started without a big upfront expense?	 No, You're out \$100,000+	 No, You're out \$75,000+	 No, You're out \$75,000+	 No, You're out \$100,00+	 No, You're out \$47,000
What is my monthly investment?	\$1,800	15%	\$1,500	\$1,000	21%
What is my annual investment?	\$21,600	Varies	\$18,000	\$12,000	Varies
Can I do this without any long term obligations?	 NO \$151,200 liability	 NO 15% royalty for 5 years!	 No \$50,000 liability!	 No \$60,000 liability!	 No 21% levies for 5 years!
Can I do this without signing complex binding contracts?	 PERSONAL GUARANTEE REQUIRED	 PERSONAL GUARANTEE REQUIRED	 PERSONAL GUARANTEE REQUIRED	 PERSONAL GUARANTEE REQUIRED	 PERSONAL GUARANTEE REQUIRED
Can I build my own brand, logos, and company?	 FRANCHISE BRANDING ONLY	 FRANCHISE BRANDING ONLY	 FRANCHISE BRANDING ONLY	 FRANCHISE BRANDING ONLY	 FRANCHISE BRANDING ONLY
Will I get weekly coaching from a proven 100k+/yr veteran coach?	 NO	 NO	 NO	 NO	 NO
Can I coach clients anywhere in the world?	 NO	 NO	 NO	 NO	 NO
Am I free to attend and use any training I like?	 NO	 NO	 NO	 NO	 NO
Am I free to use any materials and resources I like?	 NO	 NO	 NO	 NO	 NO
Do I get a full money-back guarantee?	 NO	 NO	 NO	 NO	 NO