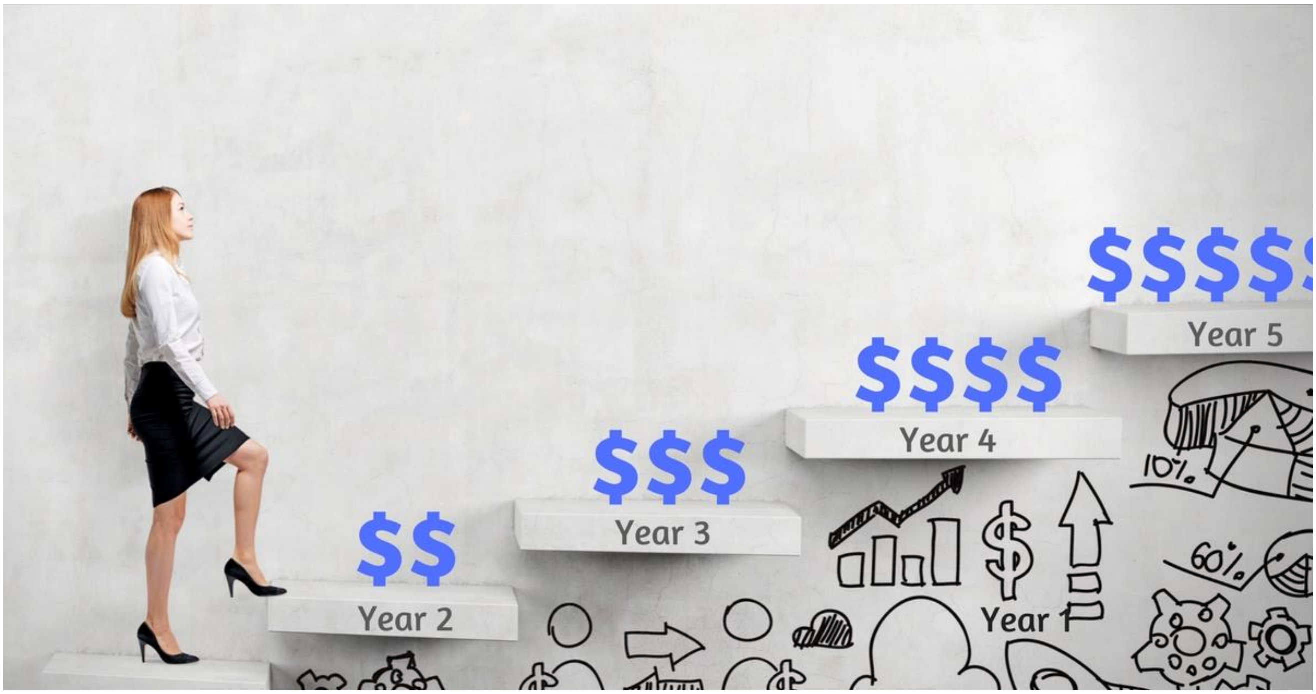

Buy Low, Sell High Strategies for Aspiring Franchise Buyers

By Phil Kuban

In stocks, bonds or real estate, the savvy investor is always looking for opportunities to **buy low** and **sell high**. This principle is relevant when exploring franchise ownership too, but with one important distinction. Unless you're an active day-trader or house flipper, typical buy/sell strategies are largely passive - meaning you your job is mostly complete after the initial investment. When you make the decision to buy your own business, **you're making an active investment in yourself.**

Looking back at my 30+ years in franchising and business brokerage, I struggle to recall a single client seeking my advice to help them **find a perfect business** who hasn't desired the lowest possible investment that would deliver the highest possible return. No one wants to throw good money at a bad investment. The conversation takes a dramatic shift when the goal to invest on the lower end comes with a strong desire to own a well-established brand in a prime territory.

The "buy low, sell high" strategy is **a basic concept for aspiring franchise owners to grasp**, but it often means letting go of common misperceptions, understanding the trade-offs, managing your emotional reactions and beginning with the end in mind.

Here are a few **Dos and Don'ts** if you want to maximize your chances of achieving that big equity event at the end of your journey:

Do: Work Toward Gaining Clarity

The first step in finding your perfect business is to get clear on what's really important to you. Is it a business that's close to home? Are you willing to work weekends and evenings? Do you want to manage a large team?

There's nothing wrong with window shopping via any number of "BYOB" websites. When you are ready to move forward, I can partner with you to help you prioritize, sort through the clutter and together develop a strategy to meet your goals.

Don't: Get Stuck on the Brand

Brand recognition is one thing, but it's not the ONLY thing. When people talk about wanting to be part of a recognizable brand, they automatically think it's a safer bet. That strategy is short-sighted and can create a false sense of security. Further, if you lack the skills and capital necessary to grow the business, you will struggle. In the end, your business could be worth less than what you paid for it.

By the time a highly recognizable franchise brand hits the "Top 100" lists in your favorite entrepreneurship publication, the likelihood of territory availability in high-density areas such as metro Atlanta is zero to none. If you're lucky enough to stumble upon a resale opportunity for your favorite brand, it's going to carry a hefty premium and buying low goes out the window.

To capture prime territory at a lower relative price point, it makes sense to look at a bouquet of young, fresh franchises. Remember, it's the brand that will be new to you - not the concept. Massage Envy didn't invent therapeutic massage, but they disrupted the market by inventing a way to make massage attractive to a much broader audience through convenient locations and affordable membership-based rates. Remember, franchising is a growth strategy to capture market share where there is already a known demand for the product or service. **Stay open to understanding the market demand and less focused on the brand.**

Don't: Panic

Fear is natural, but you can manage risk by gaining a level of understanding. One of the greatest benefits of buying a franchise lies in transparency. Besides the FTC requirement that every franchise to provide a Franchise Disclosure Document, prospective buyers have the opportunity to interview other franchisees. This is one of the best ways to understand the business from the inside out.

Armed with all the information, the day may still come when you reveal your intentions to become an early adopter franchise owner. Be prepared for the typical reactions and know they are often rooted in a lack of knowledge. They'll throw out startup business failure statistics or even go so far as to ask, "why would you risk so much on a business nobody has ever heard of?"

Trust in your experience, your skills and in your research. You haven’t come this far by closing down to strong growth opportunities, have you?

> “Sometimes we stare so long at a door that is closing
> that we see too late the one that is open.”
> *~Alexander Graham Bell*

Do: Begin with the End in Mind

It’s business ownership 101 to begin with the end in mind. To be successful at growing the value of your business, strategy matters from day one. With newer brands, your chance to buy the prime territory is greater and a business with a highly-desirable location can often sell at a higher multiple. Whether you buy one, multiple units or an entire region of an emerging franchise brand, consider franchises that can be run on a semi-passive basis. This means you hire a manager to help you manage the business through multiple locations. The goal is to build a growing income producing asset that doesn't require you to be present 24/7.

Buy low, sell high strategies applies make perfect sense when buying a franchise, but to achieve the desired result you must be open to exploring the value of younger franchises where scale potential is limited only by your imagination.

For more than 30 years, Phil Kuban has enjoyed helping people realize their dream of business ownership. His experience as a multi-brand franchisee, an area developer and franchisor are instrumental in the guidance he provides to his clients. Master franchise development is an area Phil is particularly passionate about and he’s been highly successful in recognizing up-and-coming brands. Phil suggests his clients begin with the end in mind because the right franchise opportunity with the right exit strategy is the key to building equity.