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Franchise Consultants: Their Roles and Responsibilities

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With the ups and downs of the market and uncertainty affecting every industry, many people are searching for security. For would-be business owners, that can mean turning to a [franchise](#) rather than starting their own business, as a franchised business is one that comes with a proven track record and a built-in support system. Others, tired of losing money in the stock market, are interested in [buying a business or franchise with their retirement funds](#).

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Someone who is interested in purchasing a franchise may be familiar with the roles of the franchisor and the franchisee, but in researching franchises, they will likely come across what might be a less familiar term: franchise consultant.

In addition, there are also small business owners who are interested in franchising--that is, they would like to take their existing small business and turn it into a franchise, becoming franchisors themselves. To do this, many will work with franchise consultants.

So, what does a franchise consultant do? That depends on whether they are working with franchisees or franchisors.

For franchisees

A franchise consultant is someone who acts sort of as a guidance counselor for a potential franchisee by helping to guide them through the process of finding and purchasing a franchise and understanding the franchise industry. The franchise consultant can help the potential franchisee to analyze what the wisest franchise purchase might be based on their price range; whether they want a [management franchise](#) or for operating the franchise to become their full-time job; and what their strongest abilities and interests are. With their expertise, they can point out weak spots in a franchisor's offering or business plan.

Their effectiveness, however, can depend in part on how they are paid.

A franchise consultant who offers their services to a potential franchisee for free is someone who earns a commission. In order to bring home a paycheck, this franchise consultant will need to sell franchises; thus, they may try to push a potential franchisee into making a franchise purchase that isn't, in fact, the best deal because they need to make a sale to make money.

Franchise consultants who are paid by commission could still have great advice and insight and help the potential franchisee make a wise investment, but, as always, potential franchisees should be cautious and make sure their due diligence has been thorough. After all, "the process might work for quality franchisors that use [franchise consultants with whom they've built a relationship] to identify the right franchisees for their program, but the same process can be terribly unfair for inexperienced prospects that do not understand the dynamics," franchise expert Nick Bibby wrote in a column on his website, BibbyGroup.com.

There are also fee-only franchise consultants with whom potential franchisees could work. Because they receive their fee up front, they would not fall into the trap of pushing the wrong franchise to make a sale. But because they are not free, potential franchisees should either be serious about franchising or willing to be out the fee in case they decide franchising is not for them.

In the end, Bibby wrote, "Take all the legitimate guidance you can find, but make sure you like the deal as much as the consultant or seller of the deal likes it. You, not anyone else, will live with the final decision."

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For franchisors

Franchise consultants can help successful small business owners take their existing business and turn it into a franchise; franchise consultants can help with everything from writing up the original franchise agreements, operations manual and marketing materials to helping the franchise grow once it's off the ground through providing training and support.

"When franchising a business, it is almost impossible to do a credible job without the aid of a quality franchise consultant and a franchise attorney," according to AllBusiness.com. "There are good franchise consultants out there, but the business owner must ensure that they are not being sold on the idea of franchising their business."

Again, some franchise consultants work on a fee-only basis whereas others earn a percentage of the sale of each of a franchisor's franchises. Potential franchisors who can afford an upfront payment might choose to go with a fee-only franchise consultant because the cost will be a known quantity. Those who cannot or do not want to pay the franchise consultant up front could instead choose a commission-based franchise consultant. Fledgling franchisors might see this option as a good one, for example, because it entails the franchise consultant taking on some of the risk.

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