



“HOW TO...” FAQ

Start a Franchise

What is a franchise?

A franchise is an arrangement where one party (the franchisor) grants another party (the franchisee) the right to use its trademark or trade-name as well as certain business systems, operating methods, and processes to produce and market goods or services according to certain specifications set by the franchisor. The franchisee usually pays a one-time franchise fee plus a percentage of sales revenue as royalty, and gains.

Why buy a franchise?

A franchise is designed to enable a franchise owner to earn more and spend less time and effort that is often required to open and operate a similar business on their own. A franchise has a system in place to avoid pitfalls on the owners way to success.

Support

The franchisor can offer structure for launching, operating and growing a business. Manuals and training programs are available covering marketing, operations, accounting, and technology specific to their business model.

Finding a brand

There are many types of brand franchises available to purchase. Food, hospitality, and personal services are just three of the many types of franchises available. Do you have a comfort zone in the type of business sector you want be in?

Rights and responsibilities

The owner of a franchised business must give up certain freedom of actions in business decisions and must comply with all rules and regulations set forth in the franchise agreement.

Business Questions? We Have Answers!

Call Our Business Helpline 1-800-Jersey-7

Located within the New Jersey Department of State, the New Jersey Business Action Center is a business-first resource that can help you get answers from government agencies, direct you to appropriate officials or contacts, facilitate meetings and follow-ups with regulatory agencies and so much more, all at no cost and strictly confidential. Business support is one call away and we offer guidance in both English and Spanish.

“We are from State Government and we’re here to help all businesses grow!”



Investigate the franchise

Investigate the franchisor and the franchise business as thoroughly as possible. Proceed as if buying a new car or a new home. Comparison shop, look at more than one franchise. Investigate the territory being considered and determine the market potential for the product or service that will be offered.

Study disclosure statements

The franchisor is required by law to give you a disclosure statement, which describes the franchise system and your obligations, as well as certain required information such as the franchise company's litigation and bankruptcy history and list of current and former franchisees.

Check out disclosures

Read the disclosure statement carefully and compare it to other disclosure statements. Check the accuracy of the information disclosed. Contact several franchisees listed and ask them about their experiences in the business.

Be aware of risks

When considering a franchise, it is critical to collect information from people who have already been running a franchise you are considering. Carefully consider the amount of money required for the investment. Franchises are not regulated.

The modern franchise

The modern franchise can be traced back to I.M. Singer & Company. Mr. Isaac Merrit Singer, founder, provided licenses to businesses to sell his sewing machine for which they paid a licensing fee for the exclusive right to sell in specific geographic regions.

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