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The next franchise purchase -- what to know before you go

The leap from owning one franchise to two or even more can be just as daunting as that initial purchase. But by taking a defined, strategic approach to selecting another brand, entrepreneurs can hone in on their best options and make an informed decision.

First, let's look at the reasons why franchisees typically are interested in purchasing or developing units with another concept. Often, they're looking to reduce their risk by diversifying, which also allows them to use their existing resources and real estate strategies.

But sometimes expansion-minded franchisees are failing to see the growth opportunities they desire with their current brand. Or they may even be concerned about their existing brand's strategic direction. Finally, they might even be seeking to add new avenues of growth for second- or third-generation family members entering the business.

All are great reasons to look beyond your current horizons for growth opportunities, but if you have opted to expand, take time now to think more deeply about the following ideas. Ultimately, the thought you put into answering these questions now will pay off later as you embark upon your next big opportunity.

Stay within QSR, or move on out?

The International Franchise Association reports that there are currently more than 745,000 franchise establishments across 10 major industries, ranging from restaurants, automotive, personal and business services, to retail and lodging.

When adding to their portfolios, many franchisees opt to stay within the realm of their expertise. Mega multi-unit foodservice franchisee, GPS Hospitality, for example, has more than 400 Burger King and Popeyes Louisiana Kitchen locations, clearly establishing them as a force in the QSR sector, while more diversity-minded, Sun Holdings, is well-known among QSR operators, but also has units with T-Mobile and GNC.

So research the landscape and make a decision at the outset whether you want to expand within your existing industry or if your infrastructure can support a different franchise segment or business model.

Whittle it down to 3 to 5 brands that ignite your passion

After reviewing all your options, narrow them down to a handful of brands you could realistically see yourself franchising. Narrowing your focus in this way makes easier to compare how each concept fits into your existing business and growth goals.

You'll also be able to go more in-depth in your due diligence process. You can talk to more franchisees from each brand, spend more time identifying opportunities to acquire existing locations versus building your own while also gaining a better understanding of the brand's current remodelng strategy and the any reported results.

Look for the brands that score best with the "locals"

You're now at the point where you need to take a good long look at the community you're planning to establish your new brand in. Are the tables tilted overwhelmingly toward a particular competitor? And on a related topic, what kinds of QSRs does the community in question really seem to gravitate toward?

Finall, get a feel for what the real estate landscape looks like. In fact, if you need a second opinion or set of eyes, consider getting input from the local economic development office, chamber, and targeted members of the community.

Know the brand's track record

A franchise agreement is a long-term commitment that far too many entrepreneurs buy into because it's trendy. But always remember that diners' tastes change constantly, so this is where you want to get the long view and the strongly consider those brands that have a longstanding history of franchisee success and growth.

This doesn't mean that newer concepts are off-limits, but do your homework and make sure the brand's franchisees have been operating successfully for at least 2-3 years. Newer concepts are exciting and potentially money-making, but you have to make sure the business model is proven. So find out whether the company-owned stores have a good track record and the franchise disclosure document is airtight.