SINGING RIVER FEDERAL CREDIT UNION **BUSINESS SERVICES**
Third Quarter 2013


# Investigating a franchise opportunity

How do you know when you've found the right franchise for you? The franchise sector is regulated by the Federal Trade Commission (FTC) and the government provides some useful resources to help prospective franchisees evaluate and buy a franchise, while avoiding common scams. Below is a summary of what the law requires, as well as steps you can take yourself:

## Detailed Disclosure Document

As a general rule, the government requires that franchise owners provide you with specific information so you can make an informed decision. Key to this rule is the responsibility of franchisers to provide a 'Detailed Disclosure Document' during the pre-sale stage. The detailed disclosure is required to contain the following:

- Contact information for at least 10 previous purchasers in your area
- An audited financial statement
- Executive profile information
- A true view of the business start up and maintenance costs
- An outline of respective franchisee and franchiser responsibilities

The document must be provided at least 10 business days before you pay any money or legally commit yourself to a purchase. If you have any doubts about whether a franchise owner is being less than forthcoming in sharing this information, the FTC provides a hotline for you to call: **1-877-FTC-HELP (877-382-4357)**.

## Do your own investigative work

- **Use the disclosure document!** After you've read it thoroughly, follow up with all the contacts and references that have been provided. It's best to interview franchisees in person. Ask about their experiences and compare their responses to the statements in the disclosure document.
- **Make sure the figures add up.** Investigate whether claims about your potential earnings are genuine. You can ask for a copy of the basis for these claims in writing, and you should ask about it in your interviews with existing franchisees. Also, the franchiser must tell you in writing the number and percentage of owners who've been as successful as they claim you will be.
- **Shop around.** There are many online resources that offer to connect you with available franchise opportunities. There's also the government-produced and authorized **Franchise Opportunity Handbook**, which lists companies that provide franchise opportunities.
- **Don't give in to sales pressure.** The FTC requires that a seller must wait at least 10 business days after giving you the required documents before accepting payment or a signed agreement.
- **Compare the contract to the verbal sales pitch.** Don't sign any contract that doesn't mirror the promises that have been made to you at the pre-sale pitch.
- **Employ professional help.** An attorney, preferably a specialist in franchise law, can help you evaluate the franchise package and tax considerations. You might even consider using an accountant to determine the full costs of purchasing and operating the business as well as assess your potential profit.

Get more information about evaluating franchise opportunities as well as your legal rights at **www.business.gov**.

Featured Small Business:

## Bozo's Seafood Market
## Pascagoula, MS

"My business moves fast – just like it did when my father and grandfather ran it. Singing River Federal made it easy to open and manage my accounts by bringing everything to me. They explained all the details quickly – right here in my seafood market! So I didn't have to stop doing business to manage my business."

**KEITH DELCAMBRE, OWNER**

# What's your worth?

## How to set and negotiate your freelance business rates

One of the most critical steps involved in planning and growing your freelance business is setting your rates. However, when you are charging for a service, this is easier said than done and getting it wrong can compromise your worth, your cash-flow and your business. Pricing the service you provide depends on several factors:

- What is the going market rate?
- What experience do you have, both in your industry and working with clients?
- What rate do you feel comfortable with and will sustain your business?

If you are coming out of full-employment and starting on your own, here's one way to determine your hourly rate.

1. **Calculate what your annual salary equates to as an hourly rate:** Salary divided by 52 (work weeks), then divided by 40 (week work hours)
2. **Then mark it up 25-30%.** This piece covers both your value and experience, but also takes care of our business costs such as networking, proposal writing, and other administration, not forgetting your self-employment tax obligations and healthcare insurance costs.

### Project rates versus hourly rates

If you have a stable relationship with a client and regular work coming in, quoting work by the hour can work in your favor because there is consistency in work and cash flow. However, if you work quickly and efficiently, pricing work by the hour can result in under-cutting your own revenue opportunity – simply because you can get done in one hour what others take three to complete.

Pricing a flat project fee also has its risks and benefits. If you are working with a new client, you probably need more time to come up to speed on the project and the client's work methods. This can give you the wiggle room you need to research and produce quality work. It also gives the client the benefit of knowing they are working with a fixed cost. However, this can play against you if you find yourself putting in more hours than you originally anticipated.

Try to price your work using a structure that clearly lays out the scope of the project. For example, if you are a freelance copywriter quoting the cost of researching and writing a brochure, it might look like this:

| | |
|---|---|
| Research | **2 hours** |
| Produce first draft | **4 hours** |
| Make edits and second draft | **2 hours** |
| Final edits and final copy | **1 hour** |
| **Total : 7 Hours @ $x hourly rate = $x** | |

Use your normal hourly rate to calculate the flat project fee and only state how many hours each stage of work will take if the client asks for it. Be sure to add a caveat that any work done over and above this scope of work will be charged at an hourly rate.

### Negotiating your rate

If you value the new relationship and the opportunity that the work brings, always be open to negotiation. If your client counter-offers your rate but you still feel that it is too low for you to compromise your time and your value, try to stand your ground.

Once you have built a foundation of work and decide that this is a client you want to continue to do business with, you may want to negotiate a long-term rate that is a little less than your advertised rate – only if you think your new client is able to provide you with a solid pipeline of future work.