

# Franchising

- A system for selective distribution of goods and/or services under a brand name through outlets owned by independent business owners
- **Franchise**— The right to use a specific business name (Pizza Hut, McDonald's) and sell its goods or services in a specific city, region or country
- **Franchisor**— The licensing company in the franchise arrangement
- **Franchisee**— The independent owner of a franchise outlet who enters into an agreement with a franchisor

# Elements of Franchising

- A contractual agreement between the franchisee (person) and the franchisor
- A branded product or service
- Operation by a businessperson for the purpose of earning a profit
- Monitoring by the franchisor so that standard procedures and a standardized product or service are used

# Advantages of Franchising

## Guidance –

- Many franchisors try to overcome managerial deficiencies or inexperience by providing some form of training

## Brand Name –

- The investor who signs a franchise agreement acquires the right to use a nationally or regionally promoted brand name



# Advantages of Franchising, Contd.,

## Proven Product –

- ❑ The franchisor can offer the proven product and method of operating the business. The product or service is known to and accepted by the public

## Financial Assistance –

- ❑ Association with a well-established franchisor (through its reputation and financial controls) enhances the investor's credit rating with local banks

# Disadvantages of Franchising

- **Costs** – Training, guidance and other forms of supports / costs
- **External Control** – Franchisor exercises some control over promotional activities, financial records, hiring, service procedures and managerial development
- **Weak Training Programs**

# Small Business

- One that is independently owned and operated and is not dominant in its field of operation
- Characteristics of Small Business –
  - A) Retailing and service
  - B) Wholesaling
  - C) Manufacturing
  - D) Special trade construction



# Small Business Opportunities

- **Three typical ways to become a small-business owner include –**
- *Take over a family business*
- *Buy an existing business*
- *Start a new business*

# Areas of Small Businesses

## A. Manufacturing

## B. Services

- Intangible products that cannot be physically possessed and that involve performance or effort

### **Service businesses include:**

- **Business services**— Businesses that provide service to other business organizations (accounting firms, advertising agencies, tax consultants, computer programmers etc.)



# **Areas of Small Businesses**

- **Personal Services**— Barber & beauty shops, laundries, travel agencies etc.
- **Repair Services**— Automobile repair, appliance repair, plumbing repair, furniture repair etc.
- **Entertainment and recreation services**— Amusement parks, picture theaters etc.
- **Hotels and Motels**— Residential hotels

# Areas of Small Businesses

## C. Wholesaling

- Selling to other sellers, such as retailers, other wholesalers or industrial firms
- Groceries, appliances, grain, fruits, vegetables
- These businesses serve as a link between manufacturers and retailers

**D. Retailing**— Sell goods to ultimate consumers

# Small-Business Start-Up

## Business Plan

- A written document that describes the business, products or services, the consumers the competition, the financing, and all activities necessary to enter into the business and make or sell a product or service
- It is the game plan of the new business