

1. Define the concept of franchising?

- ✓ **Franchising** is a method of doing business involving a continuous relationship between a franchisor and a franchisee.
- ✓ **Franchisor** retains control of the distribution system.
- ✓ **Franchisee** assumes all of the normal daily operating functions of the business.

2. Describe the different types of franchises?

- ✓ The three types of franchising are:
 - **Trade name franchising:**
 - where the franchisee purchases only the right to use a brand name.
 - **Product distribution franchising:**
 - which involves a license to sell specific products under a brand name.
 - **Pure franchising:**
 - which provides a franchisee with a complete business system

3. Why Buy a Franchise?

- ✓ Franchisees are buying the franchiser's experience
- ✓ "Going into business for yourself but not by yourself"
- ✓ Before buying, ask: "What can a franchise do for me that I cannot do for myself?"

4. Describe the benefits and limitations of buying a franchise?

- ✓ Business system
- ✓ Management training and support
- ✓ Brand name appeal
 - "Cloning"
- ✓ Standardized quality of goods and services
- ✓ National advertising program
- ✓ Financial assistance
- ✓ Proven products and business formats
- ✓ Centralized buying power
- ✓ Greater chance for success

5. What Franchisers Want in Franchisees?

- ✓ People skills 94%
- ✓ Ability to be coached 87%
- ✓ General business skills 86%
- ✓ Access to capital 84%
- ✓ Entrepreneurial mindset 76%
- ✓ Specific industry skills 29%

6. Write Drawbacks of Franchising?

- ✓ Franchise fees and revenue sharing
- ✓ Restrictions on purchasing
- ✓ Limited product line
- ✓ Unsatisfactory training programs
- ✓ Market saturation
- ✓ Less freedom
 - "Happy prisoners"

7. Write Ten Myths of Franchising?

- ✓ Franchising is the safest way to go into business because franchises never fail
- ✓ I'll be able to open my franchise for less money than the franchiser estimates
- ✓ The bigger the franchise organization.
- ✓ I'll use 80 percent of the franchiser's business system.
- ✓ I don't have to be a "hands-on" manager.
- ✓ Anyone can be a satisfied, successful franchise owner.
- ✓ Franchising is the cheapest way to get into business for yourself.
- ✓ The franchiser will solve my business problems for me.
- ✓ Once I open my franchise, I'll be able to run things the way I want to.

8. Describe the legal aspects of franchising, including the protection offered by the FTC's Trade Regulation Rule?

- ✓ FTC's Trade Regulation Rule is designed to help the franchisee evaluate a franchising package.
- ✓ It requires each franchisor to disclose information covering
- ✓ 23 topics at least 10 days before accepting payment from a potential franchisee.
- ✓ This document, the Franchise Disclosure Document (FDD) is a valuable source of information for anyone considering investing in a franchise.

9. Explain the right way to buy a franchise?

- ✓ Evaluate yourself.
- ✓ Research the market
- ✓ Consider your franchise options
- ✓ Get a copy of the franchiser's Uniform Franchise Disclosure Document (UFDD) and study it.
- ✓ Talk to existing franchisees
- ✓ Ask the franchiser some tough questions
- ✓ Make your choice

10. What Should You Look For?

- ✓ A unique concept or marketing approach
- ✓ Profitability
- ✓ A registered trademark
- ✓ A business system that works
- ✓ A solid training program.
- ✓ A positive relationship with franchisees

11. Explain current trends shaping franchising?

- ✓ International opportunities
- ✓ Smaller, nontraditional locations
- ✓ Changing face of franchisees
- ✓ Conversion franchising
- ✓ Multiple-unit franchising
- ✓ Master franchising
- ✓ Serving aging baby boomers

12. Describe the potential of franchising a business as a growth strategy?

- ✓ Issues to consider:
 - Do you have a unique concept?
 - Is your business model replicable?
 - Have you developed an expansion plan?
 - Have you performed due diligence?
 - Do you have proper legal guidance?
- ✓ Initial cost to launch a franchise business is \$100,000 to \$750,000