**MGT 211 GDB # 1 2021**

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**Question:**

How franchising could be disadvantageous for a franchisee? On which grounds it is beneficial for the franchisee?

**Answer:**

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| **How franchising could be disadvantageous for a franchisee?** | **How franchising could be beneficial for a franchisee?** |
| **1.** The franchise agreement usually includes **restrictions** on how Franchisee can run the business. Franchisee might not be able to make changes to suit the local market businesses. | **1.** Franchisee can use a recognized brand name and trade mark. Franchisee also take benefits from advertising or promotion by the owner of that particular brand. |
| **2.** Being a Franchisee all **profits** (a percentage of sales) are usually **shared** with the franchisor. | **2.** Franchising is beneficial for a franchisee because it allows franchisee to **expand** business without the risk of debt or the cost of equity. |