



CYPRUS INTERNATIONAL UNIVERSITY

DEPARTMENT OF BUSINESS ADMINISTRATION

BUSN101 INTRODUCTION TO BUSINESS I

SECOND ASSIGNMENT %15 - (LO1+LO2+LO3+LO5)

Assignment is available on book:

- *“Sonic—A Successful Franchise with an OldFashioned Drive-In Experience!*
P.165. “Business Foundations A Changing World. twelfth edition, O.C. Ferrell, Geoffrey A. Hirt, Linda Ferrell”.

Read the instructions carefully:

1. You must answer all 3 DISCUSSION QUESTIONS in the case study.
2. You need to use Times New Roman 12 font size and 1.5-line spacing maximum length of this assignment is 3 pages.
3. The cover page should be included with:

CIU

DEPARTMENT

COURSE CODE

COURSE NAME

YOUR GROUP NUMBER

STUDENT NO

NAME-SURNAME

4. The assignment would carry a mark weightage of 15 %
5. The assignment must be submitted before the submission deadline which is on **29 APRIL 2025 as soft copy for all the Groups on moodle!**
6. The assignment must be submitted **hard copy** for groups in the class. **Hard copy again until on 29 APRIL 2025.**
7. Submitted after the deadline will not be accepted as marks will not be awarded for the late submission.
8. Students must adhere to CIU University plagiarism of not exceeding 20% similarity report.

See for Yourself Videocase

Sonic—A Successful Franchise with an Old-Fashioned Drive-In Experience



For those who are nostalgic for the classic drive-in diner experience, the Sonic fast-food chain helps fill that need. Sonic offers customers a dose of nostalgia with its 1950s-style curbside speakers and carhop service. As the United States' largest drive-in fast-food chain, Sonic offers a unique and diverse menu selection that helps set it apart from a highly competitive fast-food franchise market. Founder Troy Smith launched the first Sonic Drive-In (known then as Top Hat Drive-In) in Shawnee, Oklahoma, in 1953 as a sole proprietorship. He later added a partner, Charlie Pappe, and eventually turned the business into a franchise.

Despite its traditional feel, the company has seized upon new trends and opportunities to secure more business. Customers at Sonic frequently eat in their cars or at tables outside the restaurant. However, Sonic has begun building indoor dining prototypes in colder areas to test whether this will entice more customers to eat at its locations. The prototype still makes use of the restaurant's traditional patio but encloses it to protect customers from the elements. Each of these restaurants maintains its carhop and drive-thru features in order to retain the "Sonic experience."

Today, Sonic is a publicly traded company and ranks among the top 30 restaurants among *Franchise Times*' Top 200+. Franchising is an appealing option for entrepreneurs looking to begin businesses without creating them from scratch. In the case of Sonic, when a franchisee purchases a franchise, he or she is getting a business that already has a national reputation and a national advertising campaign. The

cuts down on the risk of failure, although a franchisee does have to watch for market saturation, poor location choice, and other determining factors. However, there are also disadvantages; chiefly, franchisees are often required to follow a strict model set by the franchiser. For instance, in addition to prior restaurant experience, Sonic requires its franchisees to be financially and operationally able to open two or more drive-ins. These types of requirements may make it difficult for entrepreneurs who want to set their own terms. However, with Sonic's successful business model and brand equity, there is no shortage of individuals who would like to operate a Sonic franchise.⁶⁴

company also offers its franchisees tremendous support and training. As a pioneer, Troy Smith was required to innovate; as a Sonic franchisee, one steps into an already proven system.

That being said, successfully running a franchise is not easy. One entrepreneur who owns 22 Sonic franchises said the franchisee's job is to ensure that each customer has the best experience possible, thereby making repeat visits more likely. To accomplish this, a franchisee must build his or her location(s); purchase equipment; hire excellent employees; make certain the products live up to Sonic's reputation; maintain a clean, inviting facility; and much more. In order to run 22 franchises, the entrepreneur runs his locations as limited partnerships, ensuring that a managing partner is on site at each location to keep day-to-day operations running smoothly.

Some of Sonic's success may be attributed to its stringent requirements for selecting franchisees. Although franchisees must have excellent financial credentials and prior restaurant/entrepreneurial experience, the most important factor is that each franchisee fit into the Sonic culture. Sonic offers two types of franchises. The traditional franchise, which includes the full restaurant set-up, requires an initial investment of between \$1.1 million and \$2 million. Franchisees are required to pay 5 percent in ongoing royalty fees and a franchise fee of \$45,000. A Sonic in a travel plaza, a mall food court, or a college campus are all examples of the nontraditional model. Because these set-ups do not include the drive-in and carhop features, initial investment is less. However, royalty and advertising fees still apply.

For entrepreneurs looking for limited risk, franchises like Sonic are great options. The advantages are abundant, as discussed earlier. There is a high failure rate among small businesses. Entering into a successful franchise significantly

Critical Thinking Questions

1. What is Sonic's competitive advantage over other fast-food franchises?
2. What are the advantages of becoming a Sonic franchisee?
3. What are the disadvantages of buying into the Sonic franchise?

You can find the related video in the Video Library in Connect. Ask your instructor how you can access Connect.

Each question of critical thinking responses %5.