

Title:

Franchising - The Licensing Of Trademarks And Methods Of Doing Business

Word Count:

358

Summary:

Franchise is a method of doing business by licensing trademarks. A recurring royalty fee being the prime source of income, the advent of franchise business dates back to the 1850s. The earliest example being the bars of New South Wales, the agreements between these bars and the breweries can be considered the foundation for modern franchise businesses. Further examples of early franchises include the telegraph system (operated by various railroad companies but controlled by W...

Keywords:

franchise, franchising, business

Article Body:

Franchise is a method of doing business by licensing trademarks. A recurring royalty fee being the prime source of income, the advent of franchise business dates back to the 1850s. The earliest example being the bars of New South Wales, the agreements between these bars and the breweries can be considered the foundation for modern franchise businesses. Further examples of early franchises include the telegraph system (operated by various railroad companies but controlled by Western Union) and exclusive agreements between automobile manufacturers and local dealers.

The term franchise holds multiple definitions. Encompassing a plethora of varied business relationships, franchises sometimes do not follow their legal definition per se, for example, an appliance maintenance franchise. In this case, though the after sales services are supposed to be done by the manufacturer, they grant the license for maintenance to some other party, thinning down further the dividing line between outsourcing and franchising.

A franchise agreement is the first step between the willing parties; the agreement binds the parties together through contractual provisions, strengthening further the arrangements of selling one's own products or services through another person holding the license. The agreement also specifies the area of operation under the franchise holder, though the franchise provider usually denies a complete and exclusive control of the franchise holder over

that particular territory. Franchise in the US abides by the jurisdiction granted by the state and federal laws though there is no federal registry of franchising or any federal filing requirements for information. However, franchise holders are required to have a Uniform Franchise Offering Circular (as per the Federal Trade Commission rules); it helps in disclosing the business transactions and purchases that remain involved. As of now, the Financial Times declared that if sales by US franchise businesses were translated into national product, they would qualify as the 7th largest economy in the world.

Franchise-based restaurants opened gates for the wave of franchise businesses since the 1930s. First came the traditional sit-down restaurants (Howard Johnson's) and then McDonalds in the 1950s rendering United States a franchise business dominion to the point where proprietorship business has become the exception rather than the rule.