

The post-american world



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Reading this article I could only have one thing in mind as a small business owner myself, and that was to discuss options other than buying. Based on the reading as well as my own research this is what I came up with

Franchising? Or Licensing. Franchising vs. Licensing: An Example

Franchising: Some fast-food chicken franchises cost more than one million dollars to get into, a LFC store costs as little as \$150, 000 to establish a planned restaurant, even less for an existing one. This allows the “ small guy” access to a successfully established product with a 30 year track record.

Our relatively low start-up expenses have attracted hard working entrepreneurs with limited financial means, and because of this, 90% of LFC owners are minorities, whom many have achieved a high level of financial success. LFC competes directly with the big names like KFC, Popeyes and Churches; our highest volume stores are surrounded by these businesses.

Licensing: The only requirements are that you purchase LFC ingredients (Seasoned Flour, Red Pepper Mix, Dirty Rice Mix) and imprinted items (boxes, bags, and cups with the LFC logo printed on them) through a designated LFC distributor.

Definitions Franchising is a business model in which you purchase a license of a specific business. Franchising is a term which can be applied to just about any area of economic endeavor. Franchising encompasses products and services from the manufacture, supply for manufacture, processing, distribution and sale of goods, to the rendering of services, the marketing of those services, their distribution and sale. Licensing is granting of permission to use intellectual property rights, such as trademarks, patents,

otechnology, under defined conditions. It prevents others from exploiting the idea, design, name or logo commercially.

It is a business arrangement in which a local firm in the host country produces goods in accordance with another firm's (the licensing firm's) specifications; as the goods are sold, the local firm can retain part of the earnings. Agreement A franchise agreement is a specialized license and will cover all aspects of IP, user obligations and use provisions A license agreement is a business arrangement where a licensor via a monopoly right such as a Patent, a Trade Mark, a design or a copyright has to exclusive right which prevents others from exploiting the idea, design, name or logo commercially. In business for yourself but not by yourself!

In license agreement or business opportunity there is no ongoing " royalty or required relationship" in effect you are: In business for yourself and by yourself! Time Required to Finish It takes months for franchises to be done. It takes about ten to fifteen business days to complete. Distinct Areas of Law Franchising is based on securities law. It means compliance with the franchise laws, like the securities laws, requires registration of the franchise in the applicable jurisdictions Licensing is a form of contract law. It means licensing is merely a contract between two independent contractors and franchise registration is not required.

Work Load Franchising route creates more work for lawyers in complying with all the registration requirements. Down the licensing road, it requires substantially less legal work. Amount of Control The parent company keeps very tight controls on every aspect of your business but they also provide a

lot of assistance in the management and marketing of your store. The control by the franchisor over the franchisee is what is supposed to make them money for the franchisee; i. e. if you do what the franchisor says, you will make money. Buying a franchise is like buying a security; i. . the control over whether or not the buyer of the franchise or security makes money is in the hands of a third party; for the security situation it is in the control of the people who operate the company that issues the security, and for the franchise the control is in the franchisor who dictates how the franchise operates to make money. The relationship between a licensee and the parent company is not as tight-knit. Once the licensee launches the operation, the relationship with the licensing company is frequently limited to purchasing products.

In a licensing preparation, you have more freedom in the operation of your business than with a franchising situation, but also more responsibility (there is also more risk and potential reward). You have the freedom to set your own hours, make-money policies, benefits, employment policies.

Relationship with the Parent Company Franchisees can expect to have a much closer relationship with their parent company than their licensee counterparts. First and foremost, franchisees typically retain rights to the parent company's trademark and logo. This is important because it is a visible representation of the connection between franchisor and franchisee. The relationship between licensees and the licensing company is looser than the relationship between franchisors and franchisees. In most cases, the licensee does not retain rights to use the company's trademark. Cost Difference It is substantially expensive. Franchisees can expect to pay royalties on a go-

forward basis i. e. every time a profit is made. License opportunities are often less expensive than franchises in both the upfront investment and ongoing charges.