Principles of marketing assignment

Art & Culture

Describe the differences between chain stores and franchises. In a chain business, one parent company owns all of the business locations, whereas independent owners operate individual stores in a franchised business concept. With a chain restaurant, one company handles all of the management for the entire business. In the case off franchise, there’s no central ownership actively involved with all of the stores.

Investors often purchase more than one franchise, UT many owner/operators typically run Just on location. When a company decides to expand, It can sell franchises or expand on Its own. When the company decides to franchise, it sells its proven business system and brand to an investor. For example, an already successful restaurant can transfer the business model and brand to investors in other towns. If the main business decides to expand on its own, It buys the equipment and real estate necessary for expansion. With franchises, individual business owners control quality in the independent action.

If one restaurant does not perform up to the standards set forth by the franchiser, it can reflect negatively on the overall brand. With chain stores, the parent company retains the quality control In each Individual restaurant. One of the key differences between franchising and chain stores Is the amount of risk involved. When a company chooses to expand with chain stores, It assumes all of the risk on Its own. It funds the entire expansion project. By comparison, when a company franchises, It passes some of the risk onto other Investors.

Franchising represents less risk for the parent company, but It shifts the risk to the franchise. When expanding a business, the owners must consider the potential Involved. When assuming the full risk of expansion with a chain, the owners gain greater potential for profit. The central ownership retains all of the profit generated from each chain store. When a company decides to expand, it can sell franchises or expand on its own. To expand on its own, it buys the equipment and real estate necessary for expansion. Rent company retains the quality control in each individual restaurant. One of the key differences between franchising and chain stores is the amount of risk involved. When a company chooses to expand with chain stores, it assumes all of the risk on its own. It funds the entire expansion project. By comparison, when a company franchises, it passes some of the risk onto other investors. Franchising represents less risk for the parent company, but it shifts the risk to the franchise. When expanding a business, the owners must consider the potential involved.