

Case study on options for going into business

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Pita Pit franchise case study

A number of advantages are incumbent upon the purchase of a franchise as opposed to starting one's own business. It should be appreciated that franchises bring with them advantages present in already developed business which often lacks in the start-ups. In this vein one appreciates issues like product formula and manuals, brand image and developed markets and supplier base. In considering the advantage as to the product formula and business manuals, one takes into consideration that the products are no longer new in the market and enjoys the brand image enabled by the franchisor's establishment. In the fact that establishment has been in operation also lends the franchisee to the option of using the former's suppliers and target customer base. These advantages, among others facilitate a faster, safer and effective market establishment that start-ups do not offer.

In addition, the establishment of business through franchising dispenses with the learning curve costs associated with product development and development and setup costs. In start-ups the concerns have to incur the set-up costs as well as the research and development costs. In the use of franchises the franchisee merely adopts an already developed product and is saved the development and research costs as well as the set up costs.

Closely related to the adoption of an already established product is the savings enjoyed in avoiding additional marketing costs. The outlet adopts a client base and relies on the brand image for successful sales to be realised. In that vein, the franchisor should deliberately capitalise on the established market base and leverage on the image already built by the parent

company.

Franchising a business idea has its own pros and cons. However, in the long run, it is beneficial as compared to expansion through multiple sites. First, it enables minimisation of risks while reaching out to the entire market base. This is since the franchises spread out to a larger market base and the franchisor enjoys part of these sales through royalties. In addition, it facilitates the maximisation of the potential of the firm. An expansion will always be limited by needs such as financial, personnel and technology requirements. This would often expose the firm either to debt or prevent expansion. In franchising, one can easily bridge the debt gap by transferring the financial, personnel and technology costs to the franchisee. Finally, it is only through franchising that one is able to maintain widespread presence throughout the globe within the least costs of operations possible. In fact, international organizations that face trade barriers in international markets often employ franchises as a way of maintaining an international presence and maximization of sales in the foreign markets. In the long run, the firm retains its limited base but enjoys additional profits in form of royalties.

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