# Franchising case study

Business, Management

# Franchising

Franchising involves the purchasing of rights to own and run a business designed by someone else (the franchisor) and using the successful business networks and models of the franchisor's business usually in another geographical location. The person buying the business rights is hence called the franchisee. In this scheme, the individual owned businesses operate using the same name and are conventionally governed by rule and regulations that are similar to the ones for charge chains of businesses (Henkel & Brown, 2007). In its basic form, franchising permits the expansion of a business as well as the distribution of goods and services under the umbrella of a well-established name.

The expediency of franchising lies on a list of assorted advantages and disadvantages. On the positive side, by resorting franchising as a form of business ownership, the franchisee is served with the opportunity of being incorporated into a well-established concept with a far more reduced risk of failure prevalent in newly started independent businesses (Good, 2003). Again, the franchisee benefits from lower purchasing costs due to the large-scale centralized buying (Good, 2003). This is coupled with greater chances of securing loans from banks for expansion especially when the franchisee is attached to a successful franchisor, an advantage that cannot be enjoyed by independent business ventures (Good, 2003). Longenecker, Moore, Palich, & Petty (2006) also add to the list of advantages of franchising by asserting that franchisors always enjoy proven marketing methods, managerial assistance, in addition to formalized business management training. Most

importantly, the franchisee takes pleasure in an impeccably short start-up process compared to the start-up process of establishing and independent business (Longenecker et al, 2009).

Conversely, one of the main disadvantages of franchising ascribed to the fact that the franchisee, in spite of being the owner of the business, is always denied the independence of running the business (Longenecker et al, 2009; Good, 2003). Andrews (2003) affirms Longenecker et al's assertion by aptly stating that a franchisee is obliged to submit to the standardized operations regulations imposed by the franchiser in that the franchisee cannot use any other preferred name apart from the franchised name. Moreover, the prices of goods and services are in most cases are fixed by the franchiser hence the franchisee is incapacitated to competently compete with other local business organization, specifically through price wars. To top it off, franchisees pay royalties to the franchisers. This is in addition to the franchising fee payable for the purchasing the franchising rights at the start of the business. However, the franchisee is always at liberty to end the franchising deal based on the stipulates of the franchising agreements.

Evidently, the advantages that accrue to a franchisee outweigh the disadvantages. It follows, therefore, that franchising is a preferable method of starting business even in the event that one has enough capital for starting an independent business. I argue this in light of the fact that franchisees enjoy a low risk start up process my joining a tested and verified business chain. Further, franchisees enjoy managerial assistance on top of being entitled to training on business management and administration.

# References

Andrews, L. (2003). Buying & selling a restaurant business, for maximum profit. Florida: Atlantic Publishing, Inc.

Good, W. S. (2003). Building a dream: a Canadian guide to starting a business of your own. Toronto: McGraw- Hill.

Henkel, S. L., Brown, D. R. (2007). How to open a financially successful pizza & sub restaurant. Florida: Atlantic Publishing, Inc.

Longenecker, J. G. Moore, C. W. Palich, L. E. & Petty, J. W. (2006). Small business management: an entrepreneurial emphasis. Mason: South Western (Thomsom Corp).