

# The reasons for owning a franchise

[Business](#)



What are some reasons for owning a franchise? If there is a business sector that continues to be profitable despite the recent financial crisis, it would be the franchising business. The franchise business model involves a franchisor or operator who has a proven business model and trademark which allows the franchisee to use it for a fee. Among the famous and successful franchise business models are McDonalds, Burger King in the fast food sector to Avis Budget Group and Hilton chain of hotels in the service industry. One of the major reasons for owning a franchise is due to the fact that the business model is already proven to work and therefore has a higher probability to succeed even in an uncertain market just like the recent financial crisis. A franchise is typically offered to the public after it has proven to work not only in terms of generating profit but also the systems that could deliver the profit. Unlike starting from scratch, a franchise has already a template on how to do things that previously made it successful that the probability of generating profit after following the template is almost certain. Franchise offer affordable prices. This affordable price makes the product or services offered in the market to be highly competitive which explains why the brand has succeeded in the market in the first place. The reason why the product or service offered by a franchise is affordable is because it has already a established system that actually works in the market. Unlike in a start up business where the owner has still to put up the system and incur cost in the process, a franchise is spared from this cost thus affording it to offer competitive prices. A franchise is global in reach. A franchise brand has typically global recognition and this makes marketing for the product and/or services relatively easier because of a brand recall. In addition, the product can also be sold almost anywhere in the world because of brand recognition

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making franchise very attractive to invest in. Franchises have established support system that includes reliable chain. Both support system and supply chain is critical to a business because it can make or break them. The support system includes trainings and availability of materials that makes the management of the franchise not so difficult. The supply chain is also tested in a franchise business model that can assure the franchisee to have the necessary raw materials of the highest quality possible at most cost effective price that is needed by the business. And this supply chain is made available to the franchisee almost effortlessly while competitors are having hard time establishing an effective supply chain that could make them competitive. There is also a support from marketing that includes national and global advertising that reinforces the brand to make its product and/or service still saleable. This support relieves the franchisee from the bother of doing the marketing collateral which could be laborious and instead focus on the operation of the business to make it profitable. The franchise industry is still growing. If the business model is still growing, it meant that the business can still expand and generate more profit than what it is already making now. This is a very good reason to own a franchise because it meant that the business will be there for a long time to generate revenue for the franchisee and franchisor. This also means that there is minimized risk for loss. Unlike other business sector whose business models are already maturing with profits also plateauing if not declining, franchises are yet to realize their optimum potential in terms of revenue thereby minimizing the risk of obsolescence. Franchise may already have a proven business model but it does not eliminate the risk of loss. Just like any business, franchises are also subjected to the laws of the market and therefore, it does not guarantee that

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a franchise today will succeed because its predecessor and other franchise already succeeded. A franchise still needs to be aware of competition, changing preferences and trends to stay relevant in the market place. Also, the risk may be minimal in a franchise business but so is the return which can be considered to be modest compared to a business from scratch that made it big in the market. Taking into considerations all these positive and including factors about franchising, the business model is still an attractive venture to invest even if there is an economic downturn.