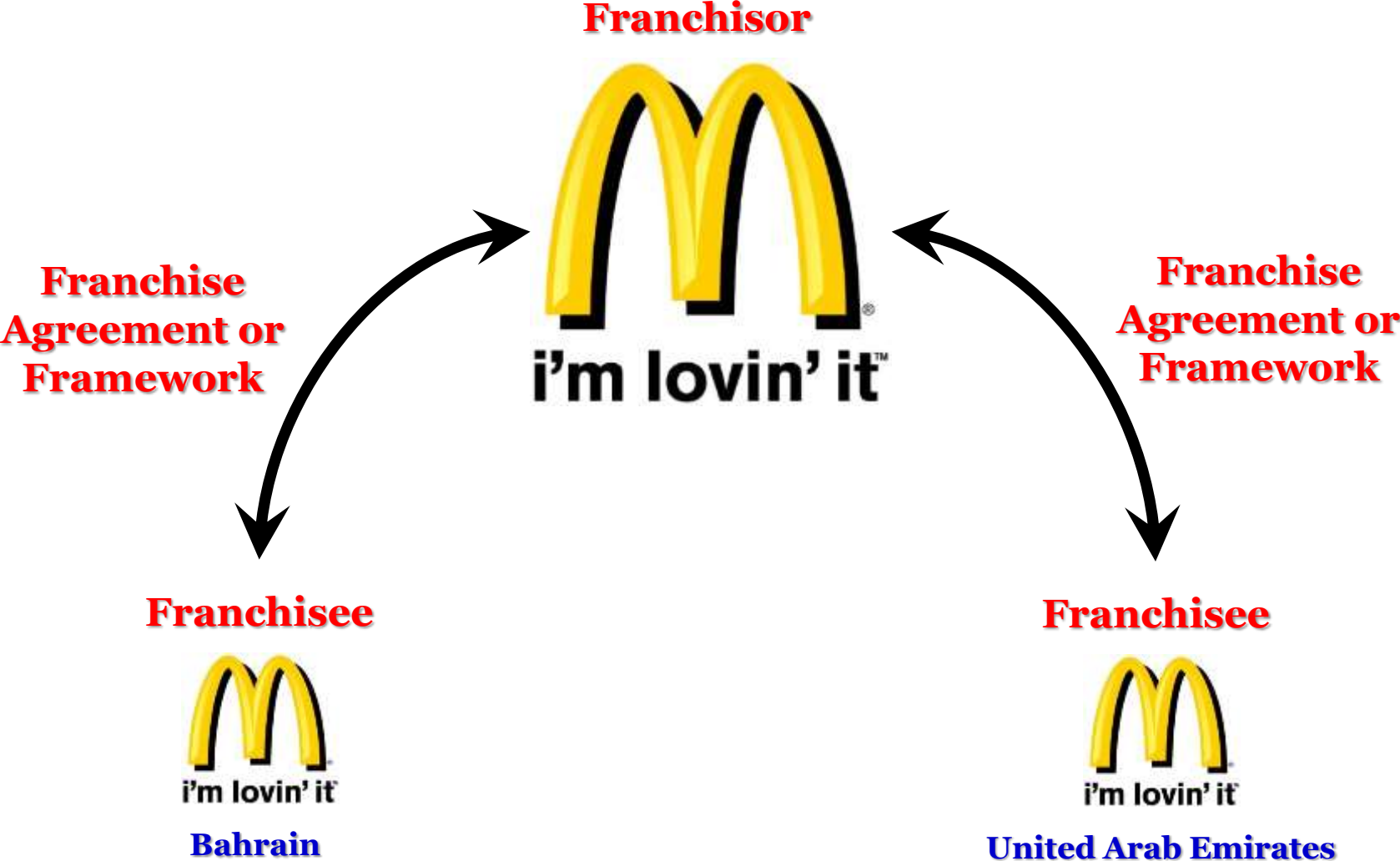




Franchising

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Franchising: is a method of marketing, distributing and selling of a product or a service



Facts

- \$1 trillion of goods and services
- 768,000 franchise outlets
- New outlet every 8 minutes
- 300 different types of industries and businesses

Franchisor Advantages

1. Low expansion risks
2. Low capital investment to expand / International expansion
3. Higher Return on Investment
4. Better market observation / Strategic planning more effective
5. Faster growth
6. Low involvement in daily operations / Less personnel costs
7. Highly motivated franchisees to accomplish work and operate units
8. Franchisees maintain steady quality control
9. Minimum overheads and costs
10. Brand awareness
11. Low advertising costs

Franchisee Advantages

1. Risk reduction & safety its an established brand proven and tested
2. Low capital investment
3. Initial & ongoing support: Technical , managerial, sales and marketing
4. Standardized products & services
5. Standardized financial & accounting systems
6. Operations manual provided
7. Use of franchisor's secret methods
8. Collective buying power
9. Market research
10. National & international advertising programs
11. Ongoing research & development
12. Quality control standards
13. Supervision & consulting readily available
14. Faster growth
15. Site selection guidance and Turnkey operation (in some franchises only)
16. Uniform packaging

Obligations

	Franchisor	Franchisee
Site Selection	Probably oversees, may choose	Chooses with approval
Design	Provides prototype design	Implements design; pays
Employees	General recommendation	Actually hires and supervises
Menu	Set by franchisor	Changed only by approval
Prices	Recommends	Decides actual prices
Supplies	May offer bulk purchasing program; lists approved suppliers; lists quality requirements or provides	Complies with program
Advertising	Designs national program; suggests local amount	Pays into advertising fund gets franchisor approval
Quality control	Sets standards; trains and inspects	Trains employees; carries out system

Disadvantages

- Costs may be higher than you expect
- Their Way or The Highway
- Lack of creativity and personal decisions
- “Guilt by Association”/ Bad news spreads quick
- Reduced risk doesn’t always mean large profits
- Limited transfer of franchise
- Limited Growth/Expansion
- Cultural Behavior and traits

Processing Franchises



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Service Franchises



Distribution Franchises



Mercedes-Benz



GUCCI



MANGO



BOSCH

Franchise Costs

- Franchise fee / Entering the system fee
- Infrastructure and store build up cost
- Royalty fees from gross revenue/Service management fee/mark up
- Advertising Fee
- Management Fee

How is the initial fee determined?

- Size of territory
- Potential market
- Number of possible units
- Cost of initial training and support for the franchisee

Is your business ready for franchising?

- Credible
- Unique
- Teachable
- Return

Useful links

- entrepreneur.com
- franchise.com
- franchise.org
- franchisedirect.com
- thebfa.org (UK)
- eff-franchise.com

Franchising is not for every one

Franchising needs more than money

It needs YOU!