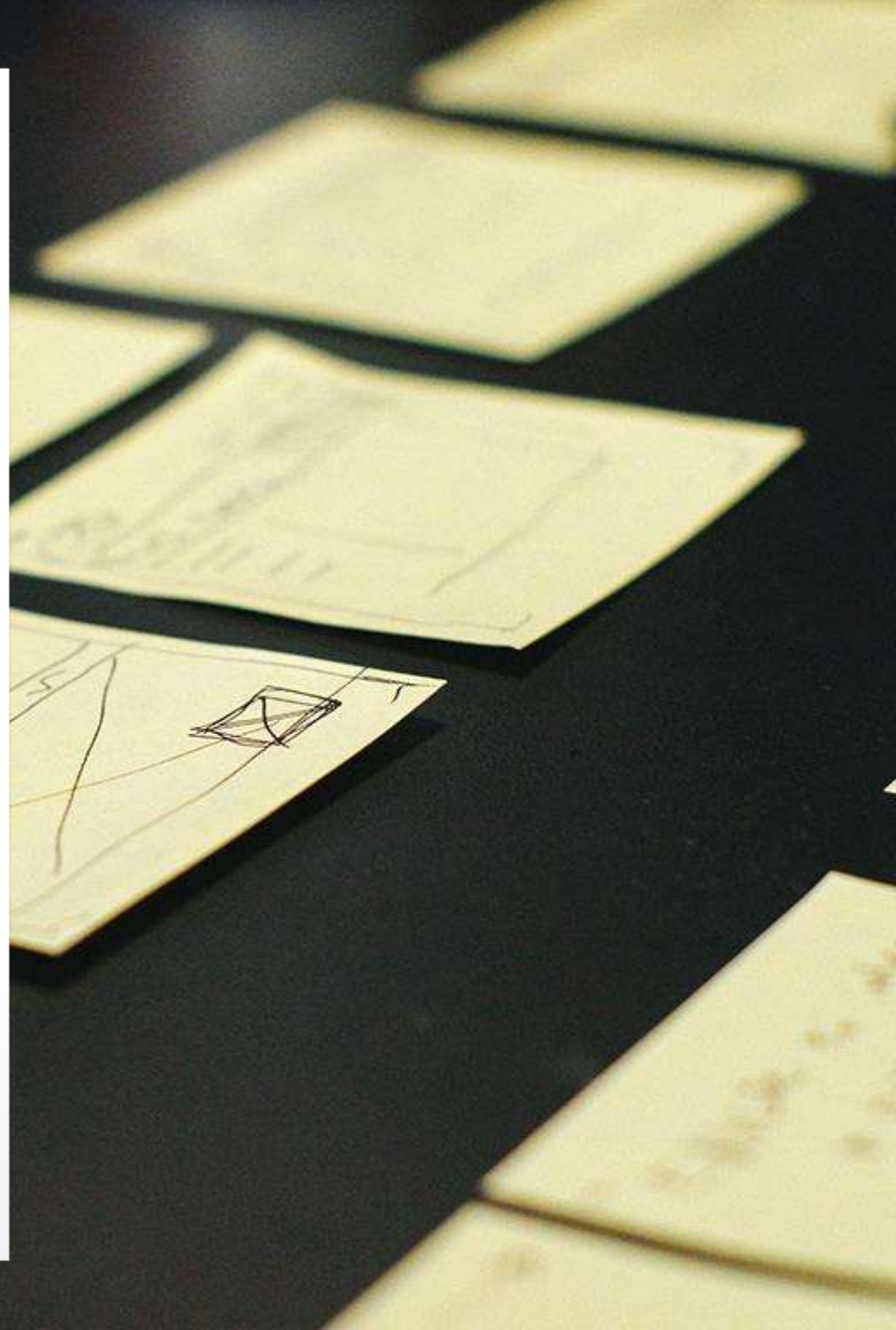


# Retail Management - Franchising



# Brief Outline

- What is franchising?
- Types of Franchising
- Examples of Franchising
- Growth of Franchising
- Advantages & Disadvantages
- Conclusion



# What is Franchising?

Let's start with a definition



“

“A franchise operation is a contractual relationship between the franchisor and franchisee in which the franchisor offers or is obliged to maintain a continuing interest in the business of the franchisee in such areas as know-how and training; wherein the franchisee operates under a common trade name, format and/or procedure owned or controlled by the franchisor, and in which the franchisee has or will make a substantial capital investment in his business from his own resources.”

- Definition by International Franchise Association

# What is Franchising?

## Franchising is About Brands

- Franchisor's brand is its most valuable asset
- Meet Brand expectations
- Developing a relationship with customers to maintain their loyalty

# What is Franchising?

## Franchising is About Systems and Support

- Ensure customer satisfaction
- Common services provided to franchisees:
  - Recognized brand name
  - Site selection and site development assistance
  - Training for you and your management team
  - R&D of new products and services
  - Headquarters and field support
  - Initial and continuing marketing and advertising

# What is Franchising?

## Franchising is more than distributorship

- Extends to an entire operation or method of business
- Greater assistance, control and longer duration
- Distributor merely re-sells products to retailers or customers



# Types of Franchise

Major types of franchise



# TYPES OF FRANCHISE

Two main types of franchise:

- Product distribution franchise
- Business format franchise

# PRODUCT DISTRIBUTION FRANCHISE

- A product distribution franchise model is very much like a supplier-dealer relationship
- Typically, the franchisee merely sells the franchisor's products. However, this type of franchise will also include some form of integration of the business activities

# EXAMPLES OF PRODUCT DISTRIBUTION FRANCHISE



*The Coca-Cola Company*

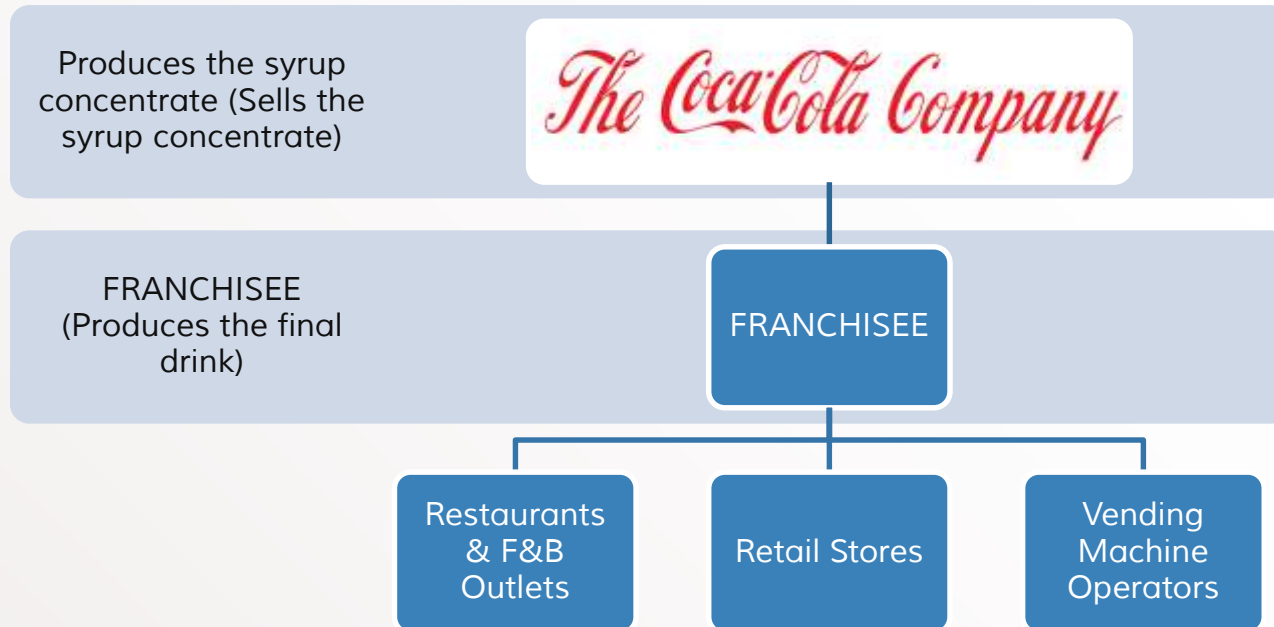


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**MARUTI  
SUZUKI**

# PRODUCT DISTRIBUTION FRANCHISE



# BUSINESS FORMAT FRANCHISING

- In a business format franchise, the integration of the business is more complete
- The franchisee not only distributes the franchisor's products and services under the franchisor's trade mark, but also implements the franchisor's format and procedure of conducting the business

## EXAMPLES OF BUSINESS FORMAT FRANCHISE



**NIIT**

**SUBWAY**  
eat fresh.™

# BUSINESS FORMAT FRANCHISING



**SUBWAY** outlet in Australia



**SUBWAY** outlet in France

# **Growth of Franchising**

How did franchising evolve?



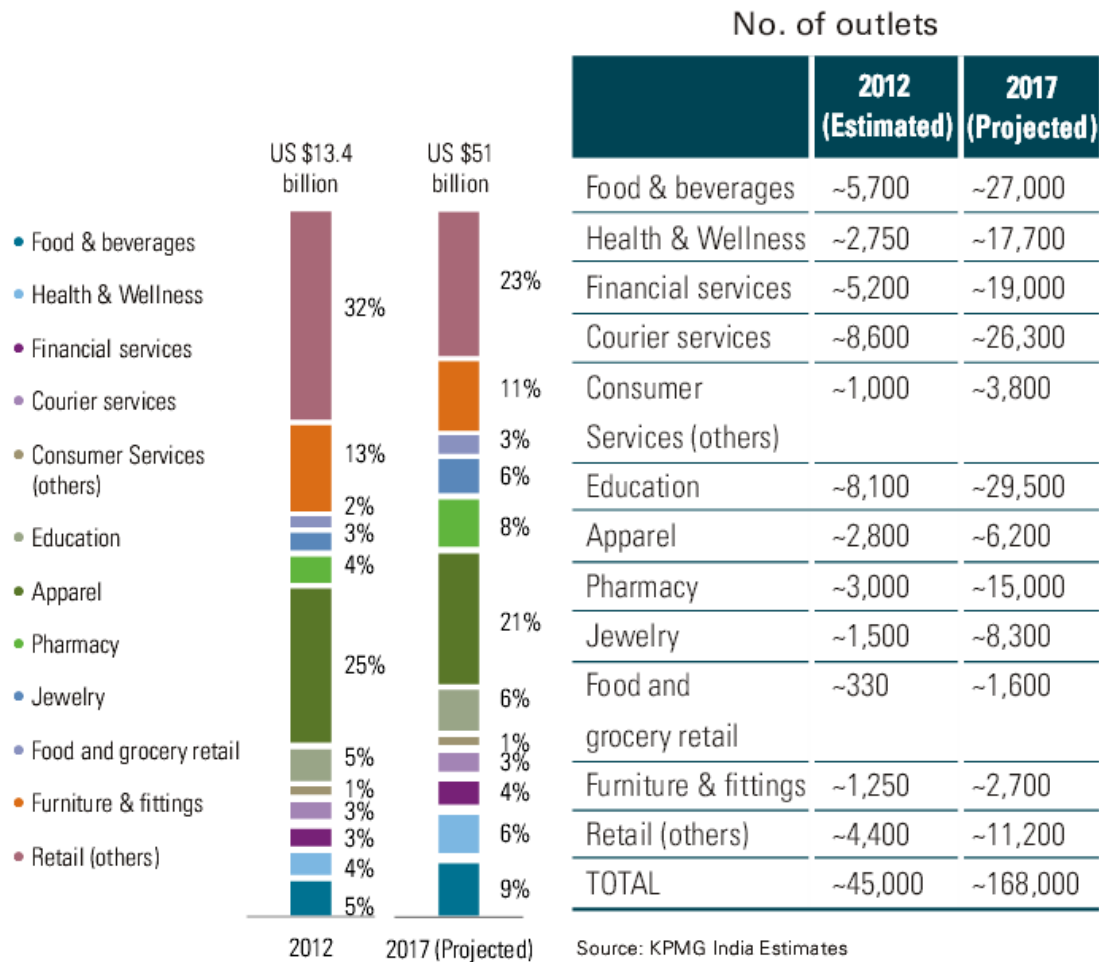
# GROWTH OF FRANCHISING

- Singer Sewing Machine – first franchise (mid-19th century)
- Automobile (e.g. Ford), petroleum products (e.g. Shell), soft drinks (e.g. Coca Cola)
- Food and restaurants (e.g. McDonald's, Starbucks)

# GROWTH OF FRANCHISING

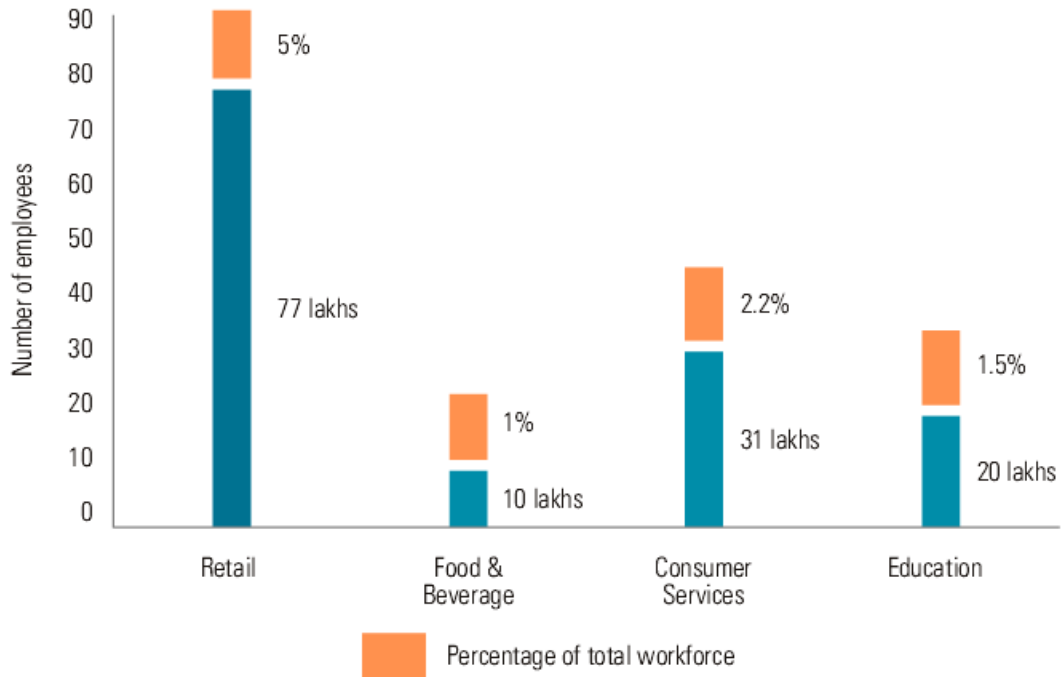
- Home markets saturated – attractive opportunities overseas
- Lack of/relaxation of regulations in most countries
- Expansion of international trade
- Exposure to international media

# GROWTH OF FRANCHISING



# GROWTH OF FRANCHISING

Projected number of employees required in Franchising by 2017



Source: Industry Survey, Franchising Industry in India, KPMG in India, 2013, Athena Infonomics, National Skills Development Corporation (NSDC)

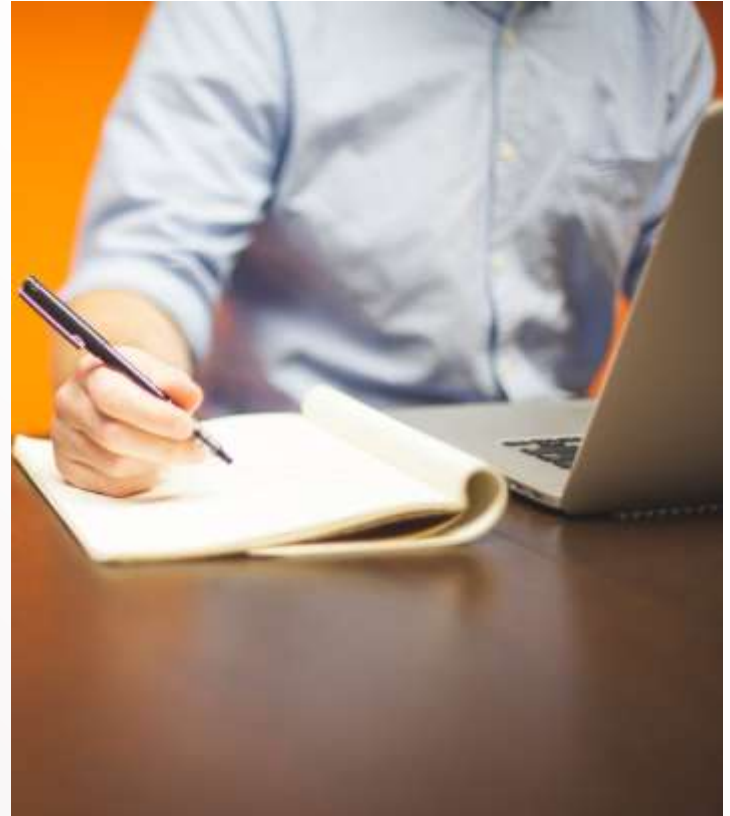


# 10 Advantages of Franchise

Let's check-out top advantages of franchising

# 10 ADVANTAGES OF FRANCHISING

1. **Risk of business failure is reduced**
2. **Established market share**
3. **Benefits of advertising or promotion**
4. **Support from franchisor**
5. **No prior experience is needed**



# 10 ADVANTAGES OF FRANCHISING

6. **Compete with big businesses**
7. **Exclusive rights**
8. **Financing is easier**
9. **Benefits from other franchisees**
10. **Established relationship with suppliers**





# 8 Disadvantages of Franchise

Let's check-out disadvantages of franchising



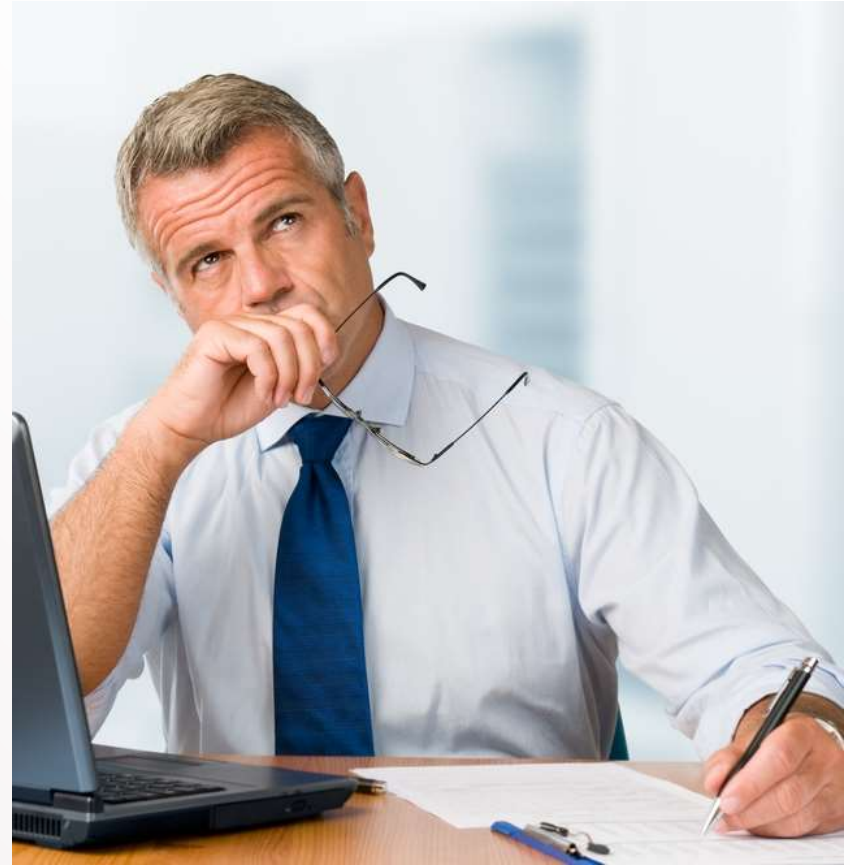
# 8 DISADVANTAGES OF FRANCHISING

1. **High costs**
2. **Restrictions**
3. **Intrusive franchisor monitoring**
4. **Franchisor might go out of business**



# 8 DISADVANTAGES OF FRANCHISING

5. **Bad reputation** from other franchisees
6. **Difficulty in selling** franchise
7. **Profit sharing**
8. **Inflexible** nature of franchise



# CONCLUSION



- Franchising – a great model
- Proven formula for success
- Due diligence
- Long term business goals