

CHAPTER 1

1.1. What Is Franchising?

Franchising is one of the three business strategies a company may use in capturing a market share. The others are the company's owned units or a combination of company owned and franchised units.

It is a business strategy for getting and keeping customers. It is also a marketing system for creating an image in the minds of current and future customers regarding the way that the company's products and services can help them. Finally, it is a method for distributing both products and services that satisfy customer needs.

Franchising is a network consisted of interdependent business relationships that allow a number of people to share:

- A brand identification
- A successful method of doing business
- A proven marketing and distribution system

In short, franchising is a strategic alliance between groups of people who have specific relationships and responsibilities with a common goal to dominate markets, i.e., to get and keep more customers than their competitors.

Actually, you are investing your assets in a system that allows you to utilize the brand name and provides you both operating system and ongoing support. Everyone in the system is licensed to use the brand name and the operating system.

It is a way of developing a successful, already known or an innovator business, where the franchisor grants the franchisee the privilege to start a sale's point (shop), in which the franchisee can use the franchisor's name, his know-how, his products and service, his system of products circulation, his promoting etc.

In order to be successful in franchising you must understand the business and legal ramifications of your relationship with the franchisor and all the franchisees. Your focus must be on working with other franchisees and the company managers to market the brand and fully use the operating system to get and keep customers.

CHAPTER 2

2.1. The relation between franchisor and franchisee

The franchise, as an institution and a way of collaboration, “bonds” two parts: the mother company-franchisor and the retail unit-franchisee to a close co-operation which is based to mutual exclusiveness. The franchisor has created and operated efficiently a business idea that is applied in shops. In addition, he has taken care of his collaborators-franchisees’ support through all stages of their activation, the start of operation, the modification and space equipment, the feeding with the appropriate merchandise, the training, the merchandising, etc. The franchisee shoulders the investment of his new shop and with the guidance of the franchisor he starts to function it satisfactorily. Through this co-operation, scale economies are achieved and the entire shop’s network takes advantage of the advertising that the mother company does.

2.1.1 What are the main obligations for the franchisor?

- To provide the necessary initial support to the franchisee, drawings of external and internal decoration, training of the franchisee and his staff, suggested suppliers and collaborators, e.g. a technical office, an architect, etc. In addition, he has to aim the operation of the franchise unit through a business plan, to supply the franchisee with the necessary manuals, to consult him regarding the initial order, the possible opening of the shop, etc.

- To provide constant support in organizational, operational, legal, commercial and marketing matters. To co-ordinate and run an appropriate and efficient advertise program. To renew and improve continuously the range of the network’s products and service, to boost the network’s value for money, etc.

- To often visit the franchise unit and to keep an appropriate potential of executives that will support the net.
- To supply the franchisee with the orders on time and to maintain and improve the cost of the purchases.
- To commit the area of the franchisee so that there can not be a sale or a co-operation with third parties (except the franchisee) directly or indirectly.

2.1.2. What are the main obligations for the franchisee?

To form the franchise unit according to the franchisor's directions, to attend the network's training seminars, to fulfill his financial obligations, not to get products by third parties, to contact and update the appropriate franchisor executives on information for the market, etc. Usually, the franchisee takes over totally the amount of the necessary investment and participates in the general expenses of the shop's net by paying a percentage of his turnover (royalties). In most systems, the franchisee pays additionally to the franchisor a lump sum of participation to the system (entry fees) as well as a percentage of the turnover for the common advertising of the chain (marketing fees).

CHAPTER 3

3.1. Forms of Franchise

Investment Franchise

The Franchisee places the funds in order to invest in a Franchise system of high cost and despite the complete guarantee of the administration's strategic, he engages other people to whom he assigns the entire management of the network's shops on his behalf.

Direct Franchise

The Franchisor provides to each Franchisee the conventional possibility to operate the Franchise system through a particular one unit of exploitation that is located on a specific geographic region. It is a relation one-to-one.

Multiunit Franchising

The Franchisor gives the Franchisee the right to take advantage of the franchise package aiming at the marketing of specific types of products or/and services. He achieves that by establishing more to one unit of exploitation inside the same or in other geographic region.

Mobile Franchise

The Franchisor gives the Franchisee the authorization to exploit the franchise package, through the supply of particular products or services to the final consumers outside his shop (usually with the use of moveable means – cars etc.) having always, however, the distinctive signs of the Franchisor.

Management Franchise

The franchisee controls several areas or even an entire region and he coordinates a team of employees.

Executive Franchise

The franchisee develops a private enterprise that is usually consisted of one and unique employee -himself- and which generally regards sectors like economic services, staff services, consultants' offices or project management (administration of work). Such examples are the accountant offices and the consultants' offices.

Retail Shop Franchise

The franchisor pays an important capital not only for the property/leasing of the shop and the equipment which is possibly a big part of the investment but also for the staff.

Production or Industrial Franchise

It is a contract according to which the franchisee manufactures products himself, following the franchisor's suggestions, which are sold under the trademark of the franchisor.

Services Franchise

It is a form of franchising in which the franchisor gives the franchisee the authorization to exploit the franchise package by providing particular services to the final consumers.

Mixed Franchise

It is very common in the world of Franchising to combine in the same Network both the delivery of products and the rendering of services.

This happens mostly when the sale of a product is accompanied by the rendering of a service.

Sales/Distribution Franchise

The franchisee operates effectively under the form of a salesman by selling or distributing products in his region. In this case, he could -if he wanted so- to hire other people for drivers/distributors which would cover also new regions.

Job Franchise

The franchisee with a low budget investment, buys the right to operate, formally, a business that will have an employee having his own means of transport and providing service/installation/repair to the door (home based).

Corner Franchise

This form of franchising consists in the franchisor's use of a specific shop, owned by a third person, which will be used for selling the products of the franchisor's business. The franchisor will follow his way of sales. It should be noted that this shop must not belong in any franchising network. In the above mentioned shop there will be given special space, after an agreement between the owner and the franchisor, to several franchising enterprises so that they can sell their products. This technique is widely spread and it is called shop-in-shop.

Conversion Franchise

In this form of franchise, the franchisee operates already his enterprise before integrating in the network. The enterprise's object is the same with the franchisor's enterprise.

CHAPTER 4

4.1. Advantages of the Franchising System

There are countless benefits to becoming a Franchisee, which is why Franchising is one of the fastest-growing sectors of the Australian economy. Here is a short list of 18 advantages of Franchising over stand-alone forms of small business:

1. The Franchisor provides detailed training.
2. The Franchisee has the incentive of owning their own business with the additional benefit of continuing assistance from the Franchisor.
3. The Franchisee benefits from operating under the name and reputation (brand image) of the Franchisor, which is already well established in the mind and eye of the public.
4. The Franchisee will usually need less capital than they would if they were setting up a business independently because the Franchisor, through their pilot operations and buying power, will have eliminated unnecessary expense.
5. The Franchisor provides the advice and/or help in identifying suitable trading locations or operating territories for the Franchisee.
6. The Franchisor helps the Franchisee obtain occupation rights to the trading location, comply with planning (zoning) laws, prepare plans for layouts, shopfitting and refurbishment, and provide general assistance in calculating the correct level and mix of stock for the opening launch of the business.
7. The Franchisor trains the Franchisee (and very often, the Franchisee's staff as well) in all areas of the business such as; manufacture, preparation, accounting, business controls, marketing, promotion and merchandising.
8. The Franchisor may negotiate better rates of finance, or more favourable conditions, for Franchisees with financial institutions.

9. The Franchisee receives the benefit on a national scale (if appropriate) of the Franchisor's advertising and promotional activities at a lower cost than if they were to attempt such marketing themselves.

10. The Franchisee taps into the bulk purchasing power and negotiating capacity made available by the Franchisor by reason of the size of the franchised network.

11. The Franchisee can call on the specialised and highly-skilled knowledge and experience of the Franchisor's head office organisation, while remaining self-employed in their business.

12. The support and benefits provided by a Franchise system greatly reduce a Franchisee's business risks.

13. The Franchisee has the services of the field operational staff of the Franchisor who are there to assist with any problems which may arise from time to time in the course of business.

14. The Franchisee has access to use of the Franchisor's patents, trade marks, copyrights, trade secrets, and any secret processes or formulae.

15. The Franchisee has the benefit of the Franchisor's continuous research and development programs, which are designed to improve the business and keep it up-to-date and competitive.

16. The Franchisor provides a knowledge base developed from their own experience, as well as that of all the Franchisees in the system, which would otherwise be impossible for a non-franchised business to access.

17. Defined territories of operation within the Franchise can help protect the Franchisee from competition.

18. A Franchisee can always speak to their Franchisor or a fellow Franchisee to discuss their business challenges or problems - something a non-franchised business can almost never do.

4.1.1. Disadvantages of the Franchising System

1. Inevitably, the relationship between the franchisor and franchisee must involve the imposition of controls. These controls will regulate the quality of the service or products to be provided or sold by the franchisee to the consumer. It has been mentioned previously that the franchisee will own his/her own business.

However, the business which they own is one which they are licensed to carry out in accordance with the terms of their contract. They must accept that in return for the advantages enjoyed by them, by virtue of their association with the franchisor and all the other franchisees, control of quality and standards is essential.

Each bad franchisee has an adverse effect, not only on his own business, but indirectly on the whole of the franchised chain and as such, all other franchisees. The franchisor, will, therefore, impose standards and demand that they are maintained so that the maximum benefit is derived by his franchisee (and indirectly the whole of the franchised chain) from the operation of the franchisee's business.

This is not to say that the franchisee will not be able to make any contribution, or to impose their own personality on their business. Most franchisors do encourage their franchisees to make contributions to the development of the business of the franchised chain which their individual talent and qualities permit.

2. The franchisee will have to pay the franchisor for the services provided and for the use of the system, i.e. the initial franchise fee and continuing franchise fees.

3. The prospective franchisee may find it difficult to assess the quality of the franchisor. This factor must be weighed very carefully by the potential franchisee for it can affect the franchisee in two ways.

A. Firstly, the franchisor's offer of a business-format package may not amount to what it appears to be on the surface.

B. Secondly, the franchisor may be unable to maintain the continuing services which the franchisee is likely to need in order to sustain their business. These aspects will be discussed in detail in a later chapter.

4. The franchise contract will contain some restrictions against the sale or transfer of the franchised business. This is clear inhibition of the franchisee's ability to deal with their own business but, as with most of the restrictions, there is a proper reason for it. This provision is in the contract because the franchisor will have already been most meticulous in their choice of the franchisee as the original holder of the franchise for this particular outlet. Why then should they be any less meticulous in their approval of a replacement? Naturally, they will want to be satisfied that any successor to the original franchisee is equally suitable for that purpose.

In practice, there is normally very little difficulty in the achievement of successful assignments of the franchised business. Some agreements provide for the payment of fees to the franchisor to cover the costs of dealing with applications and training the new, replacement franchisees.

5. Franchisees may find themselves becoming too dependent upon the franchisor and fail to produce the personal drive which the system provides. Some franchisees lose their perspective. They delude themselves into believing that the franchisor has a duty to be so involved with their particular business to ensure that it has a flow of customers, and to provide a day-to-day involvement, which is inconsistent with franchising as a concept.

6. The franchisor's policies may affect the franchisee's profitability. For example, the franchisor may wish to see his franchisee build up to a higher turnover from which he gets his continuing franchise fee, while the franchisee may be more concerned with increasing his profitability, which does not always necessarily follow from increased turnover.

7. The franchisor may make mistakes in their policies. They may arrive at decisions, relating to innovations in the business, which turn out to be unsuccessful and detrimental to the franchisee. This is why franchisors are always urged to market test innovations thoroughly in their own company-owned outlets, and to be able to demonstrate to franchisees the cost effectiveness of introducing new ideas.

8. The good name of the franchised business and its brand image may become less reputable for reasons beyond their own control.

CHAPTER 5

5.1. Steps of development

The failure rates of the franchise systems are undeniably small but no negligible. In 1996-1997 the 20% of franchisors who functioned in our country either ceased dealing with franchise or they got closed.

1. MARKET RESEARCH

The market research is the most usual way of defining the customer's needs and requirements. The collection of information from the market becomes usually via personal interviews or surveys.

The franchisor has to plan and bring processes for the programming and the realization of activities that will gather and analyze the information from the market.

Particular attention should be given in the analysis of competition, in the customer's expectations/changes of habit/preferences, in the directives of national and international organizations on subjects with regard to safety, health, environment, in the development of technology, etc.

2. BUSINESS PLAN

Before the beginning of the chain's development there should be an analysis and a preparation of a detailed Enterprising Plan. This Enterprising Plan will program and document the margins of profit and the volume of sales which will ensure the franchisees' viability, the payback period, the crowd of shops per future time period as well as their geographic dispersal and place, the basic terms of the franchise contract (e.g. entry dues, royalties, etc.), the estimated flow of money, the chain's "dead point", etc.

An important decision is the critical crowd of privately-owned shops which should pre-exist the franchise's growth in order to ensure both the attracting of candidate investors and the chain's success.

Then, the Enterprising Plan owes to take into consideration the particular features of the franchisees-members, to be revised per regular time intervals and to be presented to all chain members.

The relation between franchisees and banks or other organizations regarding their financing is not particularly widespread. Only the 20% has made a relative agreement with some bank.

The initial study for the franchise system that regards the Growing Plan, the planning of the Operation System, etc. has been subsidized by programs (in a ratio to 40% - 70%) like RETEX, MME INITIATIVE, etc. Additionally, the opening of new franchise-enterprises is subsidized by EOMMEX, the MINISTRY OF DEVELOPMENT, etc.

3. DETERMINATION OF CONCEPT

The franchisor has to fix and document the Vision and the Strategic Objectives of the chain. The franchisor must prove his engagement to the chain's Vision, to affirm that the chain's Vision and Strategic Objectives have been comprehended, applied and maintained in all chain levels.

During the Vision's determination, there should be taken into consideration the needs and the expectations of the consumers, the chain's image, the fame, the performance of operation, the reliability of the name and the provided products, the role that each shop plays to the realizations of the chain's Vision, etc.

Only with the above effort will be possible the comprehension, realization and maintenance of the chain's Vision.

The franchisor has to analyze carefully and to determine the chain's concept regarding to the mix of both products and services, the characteristics of the shops' position and size, the internal and exterior decoration and so on. In addition, the franchisor has to watch the competitiveness and the acceptance of the concept by gathering and analyzing information from both the market and the chain members aiming at the concept's continuous improvement.

The securing of the company's trademark and signals is essential.

4. PILOT SHOP

Particular importance should be given in the planning and operation of the Pilot Shop. The Pilot Shop gives the possibility to the procedures and the chain's concept to be confirmed and improved before the chain's growth and expansion.

In continuance, the Pilot Shop is the centre of education, it strengthens the chain's fame and it is transformed to a pole of attraction for candidate investors.

5. FRANCHISE CONTRACT

The franchise contract is standardized by the franchisor and it should at least determine:

- the duration of contract (usually up to five years)
- the existence and the size of entry fees
- the existence and the percentage of royalties (regularly, on the gross sales, on the purchases, in combinations?)
- the way and the contribution in the chain's advertise by the two contracting parts.
- the provide of support from the franchisor (training, manuals of operation, etc.)
- the terms of geographic exclusivity
- the guarantee of secrecy
- the conditions and ways of the contract's termination
- the conformity with the directive of CE regarding competition
- the remaining obligations of both the franchisor and the franchisee.

6. FRANCHISE SYSTEM

The responsibilities, the jurisdiction and the mutual relations of both the Franchisor and the Franchisees personnel -that manage, accomplish and confirm every work that affects the chain's operation- should be defined. The Franchisor has to determine the requirements for confirmation inside the chain, to provide satisfactory means and to assign in trained personnel the confirmation's activities.

The activities of confirmation should include the inspection, the control and the constant follow-up of all procedures of chain's operation that aim the guarantee of both the provided services/products and the way that these are provided.

All the sale points have to impart to the consumer a united image regarding the way of service and the visual image. For this reason, the Franchisor owes to plan and to standardize the architectural drawings, the internal decoration and the arrangements of the chain's shops. The objective is the united and powerful chain's image and the utilization of scale economies.

The guarantee of a flat image and the renewal and improvement of both the internal and exterior shops' décor have to be checked and documented.

The Franchisor owes to undertake the central agreements on the supplies of both the basic products and the utility goods. During these agreements he has to achieve considerably decreased prices of the marked because of the existing and also the future size of the chain.

Each Franchisee has to ensure that the bought products comply with the determined requirements. The Franchisor is supposed to select the chain's suppliers based to their possibilities for the compensation of the contracts, including the quality requirements. The Franchisor owes to establish records of the acceptable suppliers.

The choice of suppliers as well as the way and the extent of control that the chain exercises should depend on the type of the product -and where needed- on the supplier's records which prove that in the past, this product had the corresponding possibility and performance.

The suppliers' records should contain elements which describe with clarity the product which has been ordered.

The Sales Forecast and the Management of Stocks should follow the modern logistics tendencies and should constantly be evaluated alternative scenarios, like the existence of a central storehouse per geographic areas, the common use of a delivery system, the agreement and collaboration with third party logistics, the completion of the shops' needs from one to another, etc.

The objective is the lower possible average stock in the chain's total and the bigger possible level of customers' service.

For this reason, the Franchisor should determine and document the appropriate Distribution Plan which energies will be related to the geographic and the quantitative growth of the chain.

7. MARKETING IN PROSPECTIVE INVESTORS

The informative file includes all the essential elements for the good briefing of the prospective investors and it aims to the concept's "sale" to them.

It includes information for the Franchisor, the chain's dynamic, Vision and Strategic Objectives, the concept's description and philosophy, the basic terms of the franchisor contract, basic elements of both Business and Marketing Plan, etc.

The Franchisor owes to analyze and program a plan for the chain's promotion -aiming the attraction of investors- through advertising, announcements in newspapers and special editions, participation in fairs, etc.

At the same time, the Franchisor has to coordinate and plan the chain's promotion aiming the increase of the chain's prestige and the efficient publicity. These acts should be done in local and central level as well.

8. THE EVALUATION AND THE SELECTION OF FRANCHISEES

The most precious chain resource is the human potential. The Franchisor is responsible for the urging, the training/development, the communication and the performance of the chain's staff. His fundamental concern should be the selection of the most appropriate and capable Franchisees.

There:

A. should be defined in details the Franchisees' desired profile.

B. the Franchisees should be evaluated and selected carefully, taking in mind all the necessary elements (e.g. experience, training, financial reliability, skills, etc.)

9. THE EDUCATION OF FRANCHISEES

The development of the human potential is the only way for the change and the growth of each organization.

The Franchisor should establish and observe procedures for the detection of needs regarding the training of the chain's staff. This personnel that carries out determined special duties should be specialized through the appropriate training, know-how and/or experience as required. Appropriate Training files should be kept.

10. NETWORK'S FOLLOW UP & CONTROL

The Franchisor should establish and confirm the observation of a documented Standard Operation Procedure as the means to his guarantee that the chain's operation complies to the determined requirements of the Vision and the Strategic Objectives. This system should include:

- the preparation of the documented procedures and directives
- the efficient application of the documented procedures and directives.

The chain's operation and performance should be re-examined per suitable time intervals in order to ensure the continuity of the suitability and the efficiency of the System of Operation.

The chain has to establish and keep procedures for the defining, the gathering, the compilation of index, the record keeping, storage, maintenance and disposal of files and elements that define qualitatively and quantitatively the chain's performance.

The relative elements can be collected –indicatively- from:

- surveys regarding customers' satisfaction
- surveys of mystery shopping
- controls of procedures' keeping
- M.I.S. reporting of financial elements.

The chain should establish procedures –where needed- for the use and the determination of statistical techniques that are required for the evaluation of its operation.

CHAPTER 6

6.1 Franchise or Business Opportunity? Making your Choice.

Business Opportunity

Business opportunities are a highly regulated method of business expansion where a company provides outsiders with the opportunity, for a fee, to go into business. Because of the historic high rate of fraudulent schemes, the federal government and many states have enacted regulations and disclosure requirements that govern these types of relationships. Unfortunately, the rules regarding business opportunities can vary between the federal government and the states and even then they can vary from state to state.

Determining whether an opportunity is a franchise or a business opportunity can be tricky and even a competent legal counsel will occasionally find it difficult. The distinction is usually most noticeable in two key areas:

The franchisor will generally insist on consistency from location to location and that includes requiring the franchisee to operate their business under their brand name. Business opportunities are frequently more entrepreneurial and less structured.

While both may provide training, the hallmark of franchising is in continual support to its franchisees -something that most biz ops lack.

There are three primary types of business opportunities:

Rack Jobber

The purchaser buys a route enabling them to service the company's clients by restocking those businesses with the company's products.

Distributorship

The purchaser buys the rights to sell the company's product within a territory and the territory may or may not be exclusive. Generally, the local business is not known by the company's name nor does it use the company's logo in identifying the business.

License

The purchaser obtains the right for access to proprietary data, marks or technology from which products or services can then be offered to the public.

The major advantage of a business opportunity over a franchise is that it offers a buyer a greater degree of flexibility in conducting their business than does the typical franchise - and usually at a lower cost of entrance and without the need to make ongoing royalty payments. It can be a very good method for home-based, part time or second income businesses.

Its most significant drawback is that typically the business owner does not receive significant management systems, training, ongoing support and marketing which are typical of a franchise relationship. Franchising provides an infrastructure and ongoing support that business opportunities generally don't.

Depending on the business opportunity, there may be system-wide savings on the cost of products and services sold to customers - a standard also with most well developed franchise systems.

An expression frequently used in franchising is that "You are in business for yourself but not by yourself". In most biz ops your business is your own and ongoing support is generally not something you can count on. However, depending on your entrepreneurial nature and talents a biz op may be the perfect opportunity for you to start your new business.

Franchising

Franchising is considerably more structured than business opportunities. However, just as with business opportunities there are variations in the definitions used by the Federal Trade Commission (FTC) and some states and there are even variations among the states. The most common

definition cited though is the one promulgated by the FTC which makes the distinction between a simple license and a license that has crossed the barrier and become a franchise.

The chief differences between Business Opportunities and Franchising is in the degree of the relationship:

Franchising: The franchisee's business is identified by the franchisor's trademark and consistency from location to location is usually important to the franchisor.

Business Opportunities: generally are not identified by the franchisor's trademark and the trademark if used is generally incidental to the products or services being offered.

Franchising: Franchisees generally receive training, marketing and other support on a continual and ongoing basis from their franchisor.

Business Opportunities: Other than some initial training, ongoing training, marketing and other support is usually not provided and is incidental to the relationship.

Franchising: The franchisee offers products or services typically on an exclusive or semi-exclusive basis and operates their business based upon standards of performance and product line dictated by their franchisor.

Business Opportunities: Business opportunities typically allow the business owner to handle a variety of lines since consistency from location to location is generally not part of the opportunity being offered.

Franchising: The cost of entering into the franchise fee is typically significantly higher than the minimum payment of \$500. The payment is made for the right to enter into the relationship and for the use the franchisor's system and trademark.

Business Opportunities: Under a business opportunity the cost of entrance usually relates to the purchase of identified products or services that will be resold and any fee to join the system can be very modest.

Franchising: The franchisee generally pays a continual royalty to the franchisor, which is often based on the gross sales from the franchisee's business. The payment allows the franchisee to continue in the relationship.

Business Opportunities: If there are any continual payments, they are usually for the identifiable products or services supplied by the company to the business owner for resale

6.1.1 Why Choose Franchising?

Be your own boss

This ranks atop of the many good reasons to choose franchising. The desire to control your own destiny, to build a business for yourself and a legacy for your children, has always been a powerful motivator in business and in life. If that's not enough on its own, further motivation is provided by the never-ending cutbacks in corporate life, not only in job security and benefits, but in pensions and health insurance for retirees. Franchise ownership combines a sense of independence (within limits) with a greater level of security.

Proven business system

New ideas are great. These make business and the world go round. From new restaurants and retail stores to products and services that make life easier, innovation is a key ingredient in success (as is consistency). But, as noted above, new businesses are prone to failure, and most new ideas take time to catch on. Franchising allows entrepreneurs to plug into a proven, successful idea and operating system, and focus their efforts on running the business, rather than on adjusting it in midstream. The wheel's been invented, perfected, branded, and marketed. As a franchisee, it's time to roll.

Training and Support

Franchisors want franchisees to succeed. In fact, they need franchisees to succeed. That's why intensive training is included in the franchise fee. It can take days or weeks, depending on the brand. Prior to opening for business, franchisees are trained in all the brand's specifics, from cash registers and point-of-sale systems to brand identity and culture, sales and

marketing, and everything and anything that makes that brand unique. They also benefit from instruction in business, technical, financial, and management skills.

After opening, any franchisor worth its salt will provide not only ongoing technical training (new haircutting styles, new tax rules, new equipment, new technologies, etc.), but also mentoring and career growth opportunities for its franchisees. This can include resolving daily problems, marketing more effectively, and also hiring, training, and retaining employees. In addition, franchisees and their managers also benefit from business coaching and training--lifetime skills that are transferable to any other franchise or any other business.

Financing

To grow, franchisors must add new franchisees (but not at a rate too rapid to support their existing ones). If a franchisor finds a qualified candidate, it's in their own best interest to help them get on board. Yet for a startup, financing a new business can prove difficult, even with the weight of an established brand name and track record behind them. While few franchisors offer direct financial help, many are glad to provide referrals to known sources favorably disposed toward the brand, and thus more likely to view the candidate in a favorable light.

Site selection

For retail concepts, finding the best site (or sites) is do-or-die. Independent business owners often think they've located the perfect site--only to discover they've overlooked a key detail that a more experienced set of eyes would have spotted. Established franchisors have been through the site selection process hundreds (or thousands) of times before, and have access to extensive databases, demographic research data, and their own years of experience. Many have in-house site selection and build-out specialists, or work with national real estate consultants and local agents experienced at finding the optimal sites for their franchisees.

Exclusive territories

Another thing your franchise fee buys you is the right to an exclusive territory, designed to provide a sufficient number of the right kind of

customers for your investment to succeed. Franchisors generally are reluctant to award territories too large for a franchisee to serve adequately (and because they want to sell as many as they can, within reason), the smarter ones will err on the side of awarding territories that give their franchisees the best chance of success.

CHAPTER 7

7.1. Top 10 Reasons for Buying a Franchise

Here are the top 10 reasons to select a franchise opportunity if you want to own your own business.

- 1. Track Record of Success.** Any good franchise company has developed a method of doing business that works well and produces successful results. Even better, they're required to provide you with a great deal of information in their required disclosures so you can investigate and verify the results with existing franchisees prior to making your final decision.
- 2. Strong Brand.** One of the biggest advantages of franchising is that the company is building a brand on a regional or national basis that should have value in the eyes of customers you're trying to attract.
- 3. Training Programs.** A good franchise company has training programs designed to bring you up to speed on the most successful methods to run the business. They should also have reference materials to assist you in dealing with whatever comes up while you're running your business.
- 4. Ongoing Operational Support.** Franchise companies have staff dedicated to providing ongoing assistance to franchisees. You're not alone when you're building and running your business, and you can always call on experienced people when you hit a rough spot or want to share new ideas for growing the business.
- 5. Marketing Assistance.** The franchise company has marketing assistance to provide you with proven tools and strategies for attracting and retaining customers. Usually, the staff helps you develop the actual marketing plans and budgets for your grand opening as well as your ongoing efforts to market your business effectively.
- 6. Real Estate Assistance.** Most franchises have manuals and other documentation, as well as staff, to help you find the right site and negotiate the best possible deal on your site. This is a very important advantage that can hold costs down and provide the best possible chance of success in any site-driven business.

7. Construction Assistance. Franchise companies can also provide a wonderful benefit in helping you design the layout of the business and select the right contractors to do your build out, as well as making sure you get the exact mix of furniture and equipment you need to maximize the efficiency of your initial investment.

8. Purchasing Power. A good franchise can take advantage of the buying power of the entire system to negotiate prices for everything you need at significantly lower levels than you could achieve as an independent operator. This applies not only to initial furniture and equipment purchases, but also to the supplies, inventory, uniforms and everything else you'll need on an ongoing basis.

9 & 10. Risk Avoidance. This one is so important that we'll call it both 9 and 10! The biggest reason to buy a franchise is that, if you're smart, it will help you avoid much of the risk of starting a new business. Make no mistake--you have to do your due diligence, but if you do, you can determine with a fair amount of certainty what happen if you become a new franchisee.

As you look at this list, it not only shows a number of reasons to think about getting a franchise. It also shows you just some of the major challenges you'll face if you have to create all these things yourself in an independent business. You do have to pay fees in a franchise that you could avoid in an independent business, but it's kind of like the guy in the Fram Oil Filter commercials who says, "You can pay me now or you can pay me later." You can pay the franchisor the fees, or you can pay for many expensive mistakes by not learning the lessons of others that have gone before you. Using a franchise to meet your goal of starting a new business is a wonderful approach for most people, for all these reasons and many more

CHAPTER 8.

8.1. Top Franchise Industries

Food Franchises

Retail Franchises

Small Business Franchises

Children Based Franchises

Automotive Franchises

Health and Fitness Franchises

Entertainment Franchises

Business Services Franchises

Home Services Franchises

1) Food Franchise Opportunities



American Food	Barbeque	Fast Food	Distributor
Asian	Breakfast	Internet Cafe	Candy
Bagel	Cafe	» Mexican Food	Buffet
Bakery	Delivery	Dessert	Donut

2) Retail Franchise Opportunities

Adult Oriented	Bicycle	Cellular Phone	Homeware	Wine Stores
Art and Framing	Book Store	Clothing	Pets	Vision Center

Beauty Salons	Business Supply	Embroidery Business	Video Game Store	Electronics
Beauty Salons	Camera and Video	Footwear	Wedding Planner	Furniture

3) Small Business Franchises

ATM Machines	Check Cashing	Ink Printer Cartridges	POS - Point of Sale	Talent Agency
Candy Machines	Distributorship	Kiosk	Pre-Paid Cards	Vending

4) Children Based Franchises



Child Day Care	Child ID	Child Safety Products	Preschool	Children's Hair Salons
Child Fitness	Child Party	Child Tutoring	Children's Art	Children's Art

5) Automotive Franchises

Auto Brakes	Auto Part	Body Repair	Oil Change
Auto Detailing	Automotive Insurance	Car Rental	Roadside Assistance
Auto Muffler	Automotive Repair	Car Wash	Tire
Auto Paint	Automotive Services	Motorcycle	Transmission

6) Health and Fitness Franchises

Fitness	Massage	Life Insurance	Weight Loss
Gym	MedSpa Businesses	Low Carb	Women's Health

7) Entertainment Franchises

Dating	Movie Rental	Movie Theater
--------	--------------	---------------

8) Business Services Franchises

Accounting	Equipment Repair	Sales Training	Telecommunication
Business Broker	Equipment Sales	Security	Expense Reduction
Business Consultant	Printing	Shipping	Advertising
Employment Agency	Publishing	Sign	Online Trading

9) Home Services Franchises

Air Purification	Home Improvements	Painting	Garage	Furniture Repair
Appliance	Home Inspection	Home Repairs	HVAC	Landscaping
Electrical Repair	Home Security	Security and Alarm	Plumbing	Pest Control
Home Health Care	Outdoor Lighting	Security and Alarm	Real Estate	Energy

CHAPTER 9

Top 10 Franchises for 2008

7-Eleven Inc.
Subway
Dunkin' Donuts
Pizza Hut Inc.
McDonald's
Sonic Drive In Restaurants
KFC Corp.
InterContinental Hotels Group
Domino's Pizza LLC
RE/MAX Int'l. Inc.

Top 10 Low-Cost Franchises for 2008

RE/MAX Int'l. Inc.
Jani-King
Kumon Math & Reading Centers
Bonus Building Care
Jackson Hewitt Tax Service
Liberty Tax Service
Jan-Pro Franchising Int'l. Inc.
Chem-Dry Carpet Drapery & Upholstery Cleaning
ServiceMaster Clean
Merle Norman Cosmetics

Top 10 Fastest-Growing Franchises for 2008

Jan-Pro Franchising Int'l. Inc.
7-Eleven Inc.
Subway
Jani-King

Dunkin' Donuts
Jackson Hewitt Tax Service
Bonus Building Care
Instant Tax Service
Liberty Tax Service
RE/MAX Int'l. Inc.

Top 10 New Franchises for 2008

Instant Tax Service
Massage Envy
Snap Fitness Inc.
System4
One Hour Air Conditioning & Heating
Super Suppers
Mathnasium Learning Centers
Growth Coach, The
Play N Trade Franchise Inc.
N-Hance

Top 10 Global Franchises for 2008

Subway
KFC Corp.
McDonald's
Dunkin' Donuts
Domino's Pizza LLC
Curves
RE/MAX Int'l. Inc.
Sonic Drive In Restaurants
Pizza Hut
UPS Store, The/Mail Boxes Etc.

Top 10 Home Based Franchises

Jani-King

Bonus Building Care

Jan-Pro Franchising Int'l. Inc.

Servpro

Chem-Dry Carpet Drapery & Upholstery Cleaning

Matco Tools

ServiceMaster Clean

Jazzercise Inc.

WSI Internet

Snap-on Tools

CHAPTER 10

10.1. How to Run a Franchise From Home

Prospective franchisees seeking an opportunity to work at home are in luck. There are a host of franchisors that have realized practically any business can be run just as successfully from home as from a storefront location, and that includes bookkeeping and financial services, consulting, children's services, computer training and repair, cleaning, home improvement, entertainment, home inspection, fitness, pet care, photography and travel businesses, just to name a few. In fact, many service-oriented franchise systems now not only allow franchisees to work from home--they encourage it.

Most of these franchise systems will spend considerable time training you how to work from home. They'll review the requirements for setting up your office, making sales calls and serving your customers. After all, working from home may be convenient, but it's more than just setting up a desk in a corner of your living room. It's a unique working style you'll have to adjust to. And just in case your franchisor leaves out some things, here are the basics of what you need to know to run a franchise from home.

Is it legal?

The first thing to realize is not every community allows you to run a business from your home--especially if clients are coming to your house on a regular basis or you need to park a truck in your driveway. Check with your local zoning board or government office for the rules in your town. If you're living in a planned community, cooperative or condominium, also check to see whether any rules or deed restrictions limit your commercial use of your property.

Balancing act

Except for a limited period of time or in unique circumstances, forget the notion of using your kitchen table or family room as your office. If you must use common quarters for a while, at least set aside an area that's used exclusively for work and make sure your family understands that it's your headquarters, even when you're not at your desk.

Of course, the best choice is to use a spare bedroom, a section of your basement or some other isolated area of your home as your office. Creating distinct boundaries between your office and your living space will help you establish your franchise as a professionally run operation.

Resource

For daily information on running a franchise--or any business--from home, visit HomeOfficemag.com.

Furniture and equipment

You'll be spending a lot of time in your office making phone calls, writing letters, maintaining your records plus a million other tasks. So make sure you're comfortable.

Even on a limited budget, you can afford to have a professional office. A lot of stationery superstores and low-cost office-furniture retailers specialize in furnishing home offices. Also, consider buying used furniture. Thrift stores are a great source. Start with the essentials below. As you become more experienced in determining your needs, you can add additional pieces.

Lighting. If your office doesn't provide you with natural lighting and overhead fixtures, get a good desk lamp. Halogen fixtures are popular these days, but be aware they generate a lot of heat.

Desk. Get one as big as you can fit comfortably into your space. No matter how neat and organized you intend to be, you'll eventually need a place to make piles. Having a large desk provides workspace, even when you're less than organized.

Chair. This is the item on which you should spend some extra money. After long hours working at your desk, you'll know why a comfortable chair (preferably with arms that allow you to lean back) is a necessity. If your work area is carpeted, a carpet protector to put under your chair is a good investment.

File cabinet. Every business produces paper, and you'll need a place to store and organize your records. Make sure your filing cabinet is adjustable so you can set up some drawers to accept legal-size paper and others to hold letter-size paper. You'll also need a cabinet with a lock. Even if you're working at home, there are times when it's appropriate to have your important papers secure.

If you're on a tight budget, many office supply stores sell file drawers made out of cardboard. These are great as you can add drawers as needed.

They also provide you with permanent storage boxes for your records. You may also want to consider a fireproof "safe" or cabinet for your more important records.

Computer. You can get a top-of-the-line computer and printer today for less than \$1,000. In fact, many major computer companies, such as Gateway, even sell remanufactured equipment that comes with warranties. A host of resellers also have remanufactured computers from IBM, Sony, Toshiba and others. If you're planning on printing brochures, you might consider upgrading your printer. Speak to your computer salesperson about the software you'll need. Many computers come with the basic software required to get started.

Fax machine. While some computers come with software that allows you to fax right from your desk without printing, it's best to invest in a fax machine. Many of the fax machines available for home offices can also double as printers and scanners.

Copier. Yes, there's probably a Kinko's or similar photocopy shop right around the corner. But every time you go out to print something, you lose time you could have invested in something more important--like getting off early and having dinner with the family. If you can afford it, get a basic copy machine to make those one or two copies a day you need. You can use the copy shops for larger printing jobs.

Phone. You probably have a phone line coming into your home, but that's your home phone number. Invest in a phone line--maybe even two--for your office. One can be your main business number, and the second can connect to the Net for e-mail or to your fax machine. While more expensive than an answering machine, I recommend setting up a voice-mail account with your local phone company. Besides presenting a more professional image, it allows you to easily access your messages when you're on the road. I don't recommend call waiting for your business--this is perfectly acceptable for your home phone but is less than professional for most business applications. However, caller ID is essential. You don't want to miss that important call if you're on the line with someone else. Invest in a good phone with speaker capability. If you can afford one, get a portable phone. For many people, a cell phone, instead of a landline, is a great option. Some cell phone plans are cheaper to use than landlines when it comes to long-distance calling.

If budgets are tight and you go with a landline, you can get by with a single phone line and answering machine, but invest in a telephone splitter that allows your fax and e-mail to work on the same line as your phone.

Setting a schedule

One of the major problems with a home office is . . . it's in your home. It's so convenient to get up in the morning, put on a robe and work through dinner--and maybe a couple more hours after dinner. But, remember, you have a family and they need you, too.

Set a schedule and try to stick to it. Get ready in the morning as if you were going out to the office. Shower, put on business attire and get to work. Make it a habit. Take breaks during the day. Try to end your day on schedule as well. Everybody works overtime sometimes--some more than others--but don't get into a rut of working all the time just because your office is nearby.

You're at work when you're in your office. Don't allow your friends and family to drop in uninvited, and don't plan your day around doing everybody else's errands. Ask them to respect your workday just as you do theirs.

The nice thing about working within a franchise system is being able to learn from the experience of your fellow franchisees. When you're putting together your equipment shopping list, you might try calling other franchisees who are working from home and ask them for any advice they might have. Also, if you've come from a corporate environment and miss those "water fountain" chats, who better to spend a few minutes with than one of your fellow franchisees? Having another colleague--or two or more--whom you regularly talk to about what's happening at your "office" is one of the major benefits of working within a franchise system.

**ΤΕΧΝΟΛΟΓΙΚΟ ΕΚΠΑΙΔΕΥΤΙΚΟ ΙΔΡΥΜΑ
ΘΕΣΣΑΛΟΝΙΚΗΣ
ΣΧΟΛΗ ΔΙΟΙΚΗΣΗΣ ΚΑΙ ΟΙΚΟΝΟΜΙΑΣ
ΤΜΗΜΑ ΛΟΓΙΣΤΙΚΗΣ**

ΠΤΥΧΙΑΚΗ ΕΡΓΑΣΙΑ

ΘΕΜΑ : FRANCHISING



**ΣΠΟΥΔΑΣΤΡΙΑ: ΣΤΑΜΑΤΙΑ ΧΑΡΕΛΗ
ΕΠΙΒΛΕΠΩΝ ΚΑΘΗΓΗΤΗΣ: ΓΚΙΟΥΡΗΣ ΘΟΔΩΡΟΣ**

ΘΕΣΣΑΛΟΝΙΚΗ ΙΟΥΛΙΟΣ 2008

INTRODUCTION

Franchising is the most popular way of growing a business in the United States today. It started at the end of 1895. According to every governmental survey, franchising has experienced explosive growth since the mid-70s and it is expected to be the leading method of starting a business this century. Today, 50% of the enterprises are expanding through franchise.

In the United States, there are over 2,500 franchise systems. These systems have in excess of 534,000 franchise units, which represent the 3.2% of the total enterprises. This ratio controls over 35% of all retail and service revenue in the U.S. economy.

In our country, franchising has a history of 20 years. Today, it is developing rapidly but steadily helping more than 200 companies to grow.

LITERATURE

Literature on this subject can be found at:

www.franchise.com

www.franchise.gr

www.fcd.gr

www.allaboutfr.gr

TABLE OF CONTENTS

INTRODUCTION **PAGE. 1**

CHAPTER 1

1.1. What Is Franchising? **PAGE. 2**

CHAPTER 2

2.1. The relation between franchisor and franchisee **PAGE.4**

2.1.1 What are the main obligations for the franchisor? **PAGE.4**

2.1.2. What are the main obligations for the franchisee? **PAGE.5**

CHAPTER 3

3.1. Forms of Franchise **PAGE.6**

CHAPTER 4

4.1. Advantages of the Franchising System **PAGE. 9**

4.1.1. Disadvantages of the Franchising System **PAGE. 11**

CHAPTER 5

5.1. Steps of development **PAGE.13**

CHAPTER 6

6.1 Franchise or Business Opportunity?

Making your Choice. **PAGE.19**

6.1.1 Why Choose Franchising? **PAGE.22**

CHAPTER 7

7.1. Top 10 Reasons for Buying a Franchise **PAGE.25**

CHAPTER 8

8.1. Top Franchise Industries **PAGE.27**

CHAPTER 9

9.1. TOP 10 **PAGE. 30**

CHAPTER 10

10.1. How to Run a Franchise From Home **PAGE.33**

LITERATURE **PAGE.37**
