

Eyeing a Franchised Business? Here Is What You Should Know

You may find owning a franchised business more attractive than starting a business from scratch. A franchise is a prepackaged and widely known business that benefits from the national image and promotion of the franchisor. Tested operating methods and proven products lower risk of doing business and mean that the franchise operation may yield you profit sooner than a business you start yourself.

If you go the franchised route, you'll very likely find trade-offs in your quest for independence. You'll be required to follow standard procedures and operating methods and you'll have little say about product and marketing strategy. Hence, you'll have to make up your mind about choosing a franchise on the basis of its advantages and disadvantages.

Franchises range from marketing products such as fast food, ice cream, printing of hangtags and candy, to marketing services such as motels, dry cleaning establishments, hangs tag printing, and coin operated laundries.

There are four basic types of franchises which you can assess, each of which have distinguishing economic and legal characteristics. They are:

Manufacturer-Retailer Franchise System. In most cases, the manufacturers franchise an entire retail outlet of stock and market its product line. Examples include manufacturers of automobiles and trucks, farm equipment, petroleum products, shoes, and paint, and even printing products such as hangtags, cards, flyers and so on.

In this system, the major role of the franchisee is to establish an outlet in a defined market where the consumer may readily obtain the manufacturer's product. The franchisee has very little discretion about what products are to be marketed.

Manufacturer-Wholesaler Franchise System. Beverage companies, soft drink and beer primarily, dominate this form of franchising. In a soft drink franchising, the manufacturer supplies the syrup or concentrate to the franchised wholesaler who adds ingredients, packages the product, and distributes the product to the retail level. As in the manufacturer-retailer franchise system, the franchisee has little control over the products to be distributed or their characteristics.

Wholesaler-Retailer franchise systems. In this system, the wholesaler sponsors retail franchises. The franchisor recruits independent retailers to become contract franchisees. Western Auto Supply, Firestone, Goodyear, Butler Brothers, and Super Value Stores are good examples of this type of franchise system.

Trade Name Franchises. This is the system that has enjoyed the most rapid growth in the past two decades. In this arrangement, the franchisor possesses a known trade name and proven methods for profitable operation of retail outlets. Well known examples can be found in motel chains (Holiday Inn, Best Western, Sheraton Inn), restaurant chains like Howard Johnson's, McDonald's, Kentucky Fried Chicken, Burger King, Baskin Robbins, and auto rental firms (Hertz, Avis, National, Budget Rent-A-Car).

The franchisee may manufacture or modify the product (depending on product or service) but as in other types of franchises, must follow strict operating and marketing procedures.

In the first three franchise systems, the franchisor is the producer and the franchisee the distributor. In the fourth system, the franchisee can either be a producer or a service supplier. All types involve trademarked or nationally branded products. Franchisors usually emphasize the quality control imposed on products made or services offered by their franchisees.

Growth in all four systems of franchising, especially in trade name franchising, has been influenced by trends toward national branding and increased mobility of consumers. Consumers seek the reputation of a national brand that results from mass advertising. As recreation and business travel have increased, so too have consumer's preferences for consistent standards of service and known costs of accommodation. In cases like these, franchising offers unique opportunities where local ownership and operation are advantageous.

About the Author

Troy Duff works as a businessman and currently runs a printing company that offers [hang tag printing](#), banners, magazines, flyers, door hangers, catalogs, table tents, presentation folders, [hang tags](#), custom printer and other printed ads.