



## What Is Franchising?

Franchises are generally known to the public under a well-promoted name like McDonald's® not the names of the individual franchise owners. As a result, the general public may not realize that many businesses are in fact franchises. The first box below depicts 100 well-known franchises; the second box lists 100 relatively unknown franchise companies that have more than 200 franchises.

### Historical Definition

Historically, the word franchise meant the granting of a right or privilege to an individual or group. In more recent times it includes business arrangements known as franchises, licenses, dealerships and distributorships, to name a few.

### Regulatory Definition

The Federal Trade Commission defines a franchise as a business relationship in which an individual owner:

1. Uses a Common Name (such as Burger King® or Dunkin' Donuts®);
2. Receives Training/Assistance/Guidance (from the Parent Company);
3. Pays a Fee to the Parent Company (\$500 or more within the first six months of operation).

If a business arrangement includes these 3 elements, it's a franchise. It could be called a license, dealership, distributorship, or association but it's still a franchise and must comply with the rules of the Federal Trade Commission and certain state regulatory authorities.

### Business Definition

Franchising has been described as:

- ❑ A method of DISTRIBUTION of goods and services;
- ❑ A method of MARKETING;
- ❑ A method of GROWTH;
- ❑ A method of CAPITAL ACQUISITION;

And increasingly, franchising has become:

- ❑ A method of EMPLOYMENT.

For a company wishing to expand to other locations, franchising offers the opportunity to have branch locations operated by "dedicated" managers rather than company employees. A franchisee is dedicated because it's his business (operating under the franchisor's name and rules) and he's made an investment. A franchisee will sell more, service customers better, and control costs more tightly than a company employee.

## **What Franchising is NOT**

1. **Franchising is not an industry.** There is no such thing; over 300 different industries and types of business utilize franchising.
2. **Franchising is not a magic show.** Franchising is not about selling some franchises. It's about building a company - a serious business venture. A person who franchises his restaurant to others will still be in the restaurant business. He will have to develop new menu items, new promotional programs, new décor concepts, and so forth.

## **Types of Franchises**

Historically, franchises have been generally categorized as "product and trade name" franchises or "business format" franchises. Today, the real difference is that under the "product and trade name" franchise, the franchisor is usually the manufacturer of a product, which it wholesales to the franchisee for resale. Under the "business format" approach, the franchisee is usually not reselling a product manufactured by the franchisor. Under both formats, the franchisee is operating the business according to the franchisor's rules, methods, and systems.

You've probably heard of these franchises:

A&W Rootbeer	Domino's Pizza	Jiffy Lube	Porsche
Allstate	Dunkin' Donuts	John Hancock	Prudential
Arby's	Exxon	Kentucky Fried Chicken	Quality Inns
Arthur Murray	Firestone	Liberty Mutual	Radio Shack
Avis	Ford	Lincoln-Mercury	Ralph Lauren
Bacardi	General Motors	Major League Baseball	Ramada
Baskin-Robbins	Goodyear	Manpower	Re-Max
Best Western Hotels	Gucci	Maytag	Rolls-Royce
Better Homes & Gardens	Guinness	McDonald's	Roto-Rooter
BF Goodrich	Gulf	Mercedes-Benz	Seagrams
Blockbuster Video	H&R Block	Metlife	Sears Roebuck
BMW	Haagen-Daaz	Midas	7-Eleven
Budweiser	Hallmark	Miller Brewing	7-Up
Buick	Hardee's	Mitsubishi	Shell
Burger King	Harley-Davidson	Mobil	Sheraton
Cadillac	Heineken	National Basketball Assn.	Stride Rite
Century 21	Hertz	National Car Rental	Sunoco
Chevrolet	Hilton	National Football League	Taco Bell
Chrysler	Holiday Inn	National Hockey League	Texaco
Coca-Cola	Honda	Oldsmobile	Toyota
Coldwell Banker	Howard Johnson's	Pearle Vision	U-Haul
Coor's	Jack Daniel's	Pepperidge Farm	Volkswagen
Dairy Queen	Jack in the Box	Pepsi-Cola	Volvo
Days Inns	Jaguar	Pizza Hut	Wendy's
Dodge	Jeep	Pontiac	Western Auto

...but you may not have heard of these - each of which has more than 200 franchises

Ace Hardware	Fiducial	Merry Maids	Schlotsky's Sandwiches
Action International	Four Seasons Greenhouses	Minuteman Press	ServiceMaster
All Tune	General Business Services	Miracle Ear	Servpro
Alphagraphics	Gingiss Formalwear	Molly Maids	Shakey's
American Leak Detection	Great Clips	Money Mailer	Sir Speedy
Applebee's	Gymboree	Moto Photo	Sizzler
Big O Tires	Haircrafters	Mrs. Field's Cookies	Snap-On-Tools
Bresler's	Heel Quick	Nat. Maint. Contractors	Snelling & Snelling
Captain D's Seafood	Help-U-Sell	Novus Glass Repair	Sonic Drive-Ins
Carl's Jr.	Homes & Land	P.I.P.	Speedy Printing
Carvel	HQ Network	Pack 'N' Ship	Stained Glass Overlays
Century Business Solutions	Huddle House	Padgett Business Services	Stanley Steemer
Chem-Dry Carpet Cleaning	Insty-Prints	Pak Mail	Steamatic
Church's Chicken	Jackson-Hewitt	Perkins Restaurants	Super Coups
Comprehensive Bus. Svcs.	Jani-King	Peyron Tax Services	Sylvan Learning Centers
Cost Cutters Hair Care	Jazzercise	Piggly Wiggly	Taco John's
Coustic Glow	Kampgrounds of America	Pizza Inn	Taco Time
Culligan	Kwik Copy	Ponderosa	The Gold Mine
Decorating Den	Lawn Doctor	Priority Management Systems	Travel Network
Denny's	Liberty Tax Service	Professional Carpet Systems	Triple Check Income Tax
Diet Center	Location Lube	Putt Putt Golf	Uniclean
Dunhill	Maid Brigade	Rainbow International	ValPak
Duraclean	Management Recruiters	Rainsoft Water Conditioner	White Hen Pantry
Fast Signs	Medicine Shoppe	Rally's	Your Office
Fax-9	Meineke Mufflers	Rodeway Inns	Ziebart Tidy Car