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Information about franchise

Forms and applications for entrepreneurs

Overview

- Basic idea of Franchise
- Advantages and disadvantages for the franchisee
- Advantages and disadvantages for the franchiser
- To become a franchisee
- To become a franchiser

Basic idea of Franchise

Franchise is a useful method to put a commercial idea into practise, to grow fast and to profit. The background is that the franchise enterprise does not grow because of setting up settlements in other regions but allowing franchisee to use the name, idea and reputation of the franchise enterprise against payment of a fee. The fee depends on the idea and its implementation.

The franchisee bears his own risk with his own capital. The benefit for the franchiser is to grow fast with less investments and risks. Probably the profit for the franchiser is not as high as in conventional business matters. The risk and the profit are shared between the franchisee and franchiser so it is also for the benefit of the franchisee. If a settlement works in one region it is also most likely profitable in another region. Furthermore the autonomy of the franchisee is limited. That`s why frnachise is not useful for the implementation of own

innovative ideas. The franchiser renders the following service for the franchisee: trans-regional advertisement, development of new products, support and training.

Advantages and disadvantages for the franchisee

Reduced risk, simply because a successful concept is taken over, on the other hand less chances of profit

Simpler financing:

Financial Institutions will be more willing to grant a credit for successful existing projects

Easier to calculate:

Using the experiences and the knowledge of other franchisees or the franchiser is very important.

Easier decision-making process and work load in contrast to independant founders

A lot of essentials do already exist (Marketing, kind of advertisement, Corporate Identity, array of products. On the other hand franchisees are limited in their entrepreneurial freedom.

Better conditions of purchase through central purchasing

Central marketing

The franchiser udertakes the trans-regional advertisement whereas the franchisee is responsible for direct marketing measures in his vicinity.

Training and exchange of experience with the franchiser and other franchisees

There is no competition between the franchisees because the area is protected by the franchiser.

Conclusion:

Franchise could be an equatable relationship for both partners if there are reasonable terms and conditions.

Advantages and disadvantages for the franchiser

Growth with limited investment and risk

Close binding relationship to the franchisee

Note that it is almost not possible for the franchiser to terminate the contract with the franchisee.

To become a franchisee

Before a decision to become a franchisee all the arguments should be balanced. The main focus should lie on the quality of the offerer and its characteristics.

Broad hints for the quality could be as follows::

- efficient advantages in competition
- market experiences of the offerer
- number of successful franchisees
- performance of the franchiser
- membership in an recognised Franchise Association

To figure out the best partner it is useful to be well-prepared.

To become a franchiser

It is also useful for existing managing directors to become a franchiser. It could be a supporting leg, to expand or to strengthen the market position.