

BUYING A FRANCHISED BUSINESS

The Federal Trade Commission has two categories in its definition of franchise. A **package franchise** is licensed by the franchiser to do business under a business format that is already established (i.e., fast food restaurants). A **product franchise** is licensed to distribute goods bearing the franchiser's trademark or trade name (i.e., gas stations or car dealerships).

Franchising can be extremely complex, and at times, limiting to the business owner. The contracts are usually lengthy and involved. Having a lawyer who is familiar with this area of specialization explain and give advice is strongly suggested.

Advantages

- Name recognition already established
- Brand loyalty
- Proven plan for running the business
- Support and help with problems from the franchiser
- Advertising and marketing materials already created

Disadvantages

- Innovation often discouraged
- Franchise fees and royalties
- Co-op advertising fees
- Training fees even if training is not needed
- Interest on financing
- Limited business owner decision making
- Often must purchase supplies from franchiser
- Does not guarantee success



Business Guide

Resource Guide for New and Existing Businesses