



Franchising is a method of distributing products or services involving a Franchisor, who establishes the brand or trade name of the brand and a business system, and a Franchisee, who pays a royalty and often an upfront fee for the right to do business under the Franchisor's name and system. Technically, the contract that binds the two parties is the "franchising", but that term most commonly refers to the actual activity that the franchisee operates. The practice of creating and distributing the brand and the franchising system is most often referred to as franchising.

There are two different types of franchising relationships. Business Format Franchising is the most identifiable type in the market. In a franchising business format, the Franchisor provides the franchisee with not only its trade name, products and services, but an entire system to manage the business. The affiliate generally receives support for site selection and development, operations manuals, training, brand standards, quality control, a marketing strategy, and business consulting support from the franchisor. Although it is less identified with franchising, traditional franchising or product distribution is larger in total sales than franchising in business format. Examples of traditional franchising or product distribution can be found in the bottling, gasoline, automotive and other manufacturing industries.

Some of the widely recognized benefits of franchising include a ready-to-follow business formula, market-tested products and services, and, in many cases, established brand recognition. For example, if you are a McDonald's franchisee, you have already decided which products to sell, how to set up your store or even how to design your employees' uniforms. Some Franchisors offer training and financial planning or lists of approved suppliers. The disadvantages include heavy start-up costs and royalty costs when business is running. By definition, Franchisees have ongoing commissions that must be paid to the Franchisor as a percentage of sales or revenues. This percentage can vary between 4.6% and 12.5%, depending on the industry.

There is also a risk that an affiliate will be deceived by inaccurate information and pay high amounts for zero or low franchising value. Affiliates also do not have control over the territory or creativity for their business. Funding from the franchisor, or others, can be difficult to obtain, and affiliates may be negatively affected by a bad location or management.

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With us there are no disadvantages and risks if you have us by your side as Advisors. Do you have a new product or project that you intend to propose in the market? Write to us, introduce us to the project, your wishes and goals and we will tell you if and what we can do for you.

As always, our advice is to write to us, to present your company or to write us what your goals or desires are. The TDHI HUB Division will make a first analysis, and will send it to our General Manager Dr Magri and to you in copy.

International Secretariat  
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