**Advantages and disadvantages of franchise**

|  |  |  |
| --- | --- | --- |
|  | **To the franchisor** | **To the franchisee** |
| **Advantages** | The franchisee buys a licence from the franchisor to use the brand name.Expansion of the franchised business is much faster than if the franchisor had to finance all new outlets.The management of the outlets is the responsibility of the franchisee.All products sold must be obtained from the franchisor. | The chances of business failure are much reduced because a well-known product is being sold.The franchisor pays for advertising.All supplies are obtained from a central source – the franchisor.There are fewer decisions to make than with an independent business – prices, store layout and range of products will have been decided by the franchisor.Training for staff and management is provided by the franchisor.Banks are often willing to lend to franchisees due to relatively low risk. |
| **Disadvantages** | Poor management of one franchised outlet could lead to a bad reputation for the whole business.The franchisee keeps profits from the outlet. | Less independence than with operating a non-franchised business.May be unable to make decisions that would suit the local area – e.g. new products that are not part of the range offered by the franchisor.Licence fee must be paid to the franchisor and possibly a percentage of the annual turnover. |