

Things to consider when franchising.

What is franchising? The first thing you may want to know. Franchising is a way of utilizing and practicing somebody else's way of business. Somebody else's way of business which is already on the top peak? Here the franchisor gives the power to the independent operator the right to sell or to distribute its product. In return the franchisor wants some percentage of the gross monthly sale and a royalty fee. The franchisor also provides international or national level advertising, training to the employee and assistance to run the business. An agreement is made between the franchisor and franchisee, which may last from five to twenty years depending on the agreement. Here franchising is used to describe a business system. There are various types of franchising. One of them is known as trade name franchising or product franchising. In this type you get a trademark and a royalty but you didn't get any method of doing business. An agreement is made which covers every aspect of the business. This agreement contains the territory of your business as well as the time period also for which you are getting this right for doing the business and especially if your thinking about a low cost franchise. There are cancellations and terminations of the franchise agreements as well. But the termination of the agreement may have serious consequences for the franchisees. It is not good to terminate or cancel the agreement before the time period. If the agreement is terminated or cancelled because of any reason before the completion of the agreement then it result in loss of the sunk costs of the first-owner franchisees who had leased the brand name and also who built out the branded physical units. The history of franchising is very old. It was started in the year of 1850 by a businessman, Isaac Singer. He made some improvement in the existing model of a sewing machine. He wanted to increase the distribution of his sewing machine and for this purpose only he started the trend of franchising. Nowadays it is used in every business. Isaac Singer made his first effort in the United States. The second attempt of franchising was made by John S. Pemberton's for the Coca-Cola. This was a successful attempt and earned huge profit also. Franchising of modern times gets success with the rise of franchise based food systems establishments and this was started in the year of 1933. The first modern restaurant franchise was started in 1935 by the Howard Deering Johnson. According to a study done by the University of Louisville in the year of 1991-1993, franchising helped a lot to lead out America from its economic downturn at that time. Businesses for which franchising is the best have the following characteristics, Have a track record of good profits. Have a unique and unusual concept of business. Easy to operate and run. Have a wide geographical appeal. Also make sure it can be easily duplicated. Some of the best franchises are low cost franchises in that they are easy and inexpensive to start. There are many advantages of franchising such as expansion, legal considerations, and operational considerations. These are easy to start and get training for the business. But there are some disadvantages also such as have a limited pool of viable franchisees and not enough control over the business.

About the Author

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