



SNS B-SPINE

Coimbatore-35
An Autonomous Institution

DEPARTMENT OF MANAGEMENT STUDIES

23BAT607 – MARKETING MANAGEMENT

I YEAR I SEM

UNIT 5 – MARKETING CHANNELS AND COMMUNICATION MIX

TOPIC 5 – Franchising





Introduction

- Define franchising as a type of license that grants a franchisee access to a franchisor's proprietary business knowledge, processes, and trademarks, thus allowing the franchisee to sell a product or service under the franchisor's business name.
- The franchisee pays an initial fee and ongoing royalties to the franchisor in exchange for the right to use their established business model and receive ongoing support.

Example: Ramraj cotton, Ibaco, A1 chips ect...



Franchisor-Franchisee Relationship:

- Franchising involves a contractual relationship between the franchisor and the franchisee. The franchisor provides support, training, and guidance to ensure the successful operation of the franchise.



Use of Brand and Trademark:

- One of the primary benefits for franchisees is the use of the franchisor's brand name and trademarks. This provides immediate brand recognition and consumer trust.

Territorial Rights:

- Franchise agreements often grant exclusive territorial rights to franchisees, ensuring that they have a defined market area in which to operate the business.



Business System and Processes:

- Franchisees follow the franchisor's proven business system and processes, including product sourcing, marketing strategies, and standard operating procedures. This consistency ensures uniformity across all franchise locations.

Fees and Royalties:

- Franchisees pay an initial franchise fee to become part of the franchise system. Additionally, they pay ongoing royalties, usually calculated as a percentage of sales, to the franchisor for continued support and brand use.



Training and Support:

- Franchisors provide comprehensive training and ongoing support to franchisees, helping them understand the business model, marketing strategies, and day-to-day operations.

Franchise Disclosure Document (FDD):

- The FDD is a legal document that franchisors must provide to potential franchisees. It contains essential information about the franchise opportunity, including financial disclosures, franchise fees, and the responsibilities of both parties.



Benefits of Franchising:

- Established Brand and Customer Trust: Franchisees benefit from operating under an established brand name with a loyal customer base, which can lead to faster market penetration and increased customer trust.

Proven Business Model:

- Franchisees can leverage the franchisor's successful business model, reducing the risk associated with starting a new venture from scratch.



Marketing and Advertising Support:

- Franchisors often provide marketing and advertising support, including national or regional campaigns, to enhance brand visibility and attract customers.

Economies of Scale:

- Franchisees can take advantage of the franchisor's bulk purchasing power, reducing costs and enhancing competitiveness.

Ongoing Training and Support:

- Franchisees receive ongoing training and support from the franchisor, ensuring that they stay updated with industry trends and best practices.



Challenges of Franchising:

Franchise Fees and Royalties:

- Franchisees must bear the cost of initial fees and ongoing royalties, which can impact their profitability.

Limited Autonomy:

- Franchisees must adhere to the franchisor's guidelines and standards, limiting their ability to make independent business decisions.

Franchise Agreement Terms:

- Franchise agreements typically have fixed terms, and renewals are subject to the franchisor's approval, which may lead to uncertainty for franchisees.



Dependence on the Franchisor:

- The success of a franchisee's business is often linked to the performance and reputation of the franchisor.

Significance of Franchising in the Business World:

- Franchising plays a significant role in the business world, offering numerous opportunities for aspiring entrepreneurs and contributing to economic growth.
- It allows franchisors to expand their brand presence rapidly and tap into new markets without taking on the financial risk of opening company-owned locations.
- For franchisees, it provides a well-established business model and ongoing support, reducing the challenges of starting a new business from scratch.



Thank you!