

Franchising Fundamentals: What You Need To Know About Franchising



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Definition: What is Franchising?

- A franchise: A strategic alliance or partnership between a franchisor and a franchisee created to gain a competitive advantage in the marketing and distribution of the franchisor's product or service.
- A business strategy, not an industry.
- An INTERDEPENDENT relationship, as contrasted with an INDEPENDENT entrepreneurship or a DEPENDENT employee - employer relationship





Reasons Businesses Franchise

- Self-Financed Growth of the Business (OPM)
- Accelerated Growth
- Franchisees = motivated management team
- Control of concept and standards
- Reasonable return on investment
- Partners in Growth





Reasons Franchisees Benefit

- Name Recognition
- Proven system and concept = lower risk
- Established product or service
- Acquired Experience of Franchisor's Team
- Leveraged Purchasing Power
- Operations Efficiencies are passed on
- Partners in Growth!





What You Should Know About Franchisors...

Choosing the Franchise Method...

- Sub-Franchising (Master Franchise Agreement)
- Development Agents / Area Representatives
- Area Development Agreements
- Single-Unit Franchise Agreements (Direct Franchising)





The Franchisor contributes

The Brand!

- The trademarks and goodwill
- Operating System
- Start-up & On-going support
- Assistance in Operations, Training, Marketing, Administration and Start-up (and sometimes Financing)
- Collaboration with the Franchisee





The Franchisee contributes

Expansion to a New Market

- Brand Identification
- Local market knowledge
- Related business experience
- Capital and Revenues
- Collaboration with the Franchisor





How Does Franchising Work?

- Common business goals:
 - Gain a competitive Advantage , and
 - Greater market share for both parties
- The result:
 - Increases income for both Zee & Zor
 - Increases asset values, creates wealth for both (BRANDING!)
- It is a Long Term Relationship
 - Usually 5 - 15 years
 - Requires mutual commitment





Advantages of a Franchise vs. Independent Entrepreneurship

- Reduced risk (doesn't mean "no risk")
- A Complete Business Package
- Buying Power
- Access to proven business processes
- Financing and Site selection assistance
- Advertising and Promotion





Disadvantages of a Franchise vs. Independent Entrepreneurship

- Lack of control or independence; long term commitment
- Initial Costs and Royalty payments
- System Problems reflect on You





What Makes Franchising Work?

The franchise must be founded on TRUST

- Requires a strong culture based on shared values and core purpose
- Each party must have the other's best interest at heart





What Makes Franchising Work?

Common **GOALS** and **SCORECARD**

- Both win or lose for the same reason
- Must minimize divergent interests
- Parties look out for each other
- Passion for quality
- Innovative
- Must be willing to listen to each other and their customers





What Makes Franchising Work?

**GREAT
FRANCHISEES!!!
(and a Partnership mentality)**





Thank you!

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