

Name: _____ Class: _____

Date Taken: _____ Total Possible Marks: 21 _____



Franchise Basics

Complete the following questions in the time allowed by your teacher

QUICK DEFINITIONS

Write a short, accurate definition for each of the following key terms. (2 marks for each good quality definition)

$\frac{-}{2}$ 1. Define: franchise

$\frac{-}{2}$ 2. Define: franchisor

$\frac{-}{2}$ 3. Define: franchisee

QUICK LISTS

In this section, provide an outline or list points which answer the question

$\frac{-}{4}$ 4. List up to four examples of franchise businesses operating on UK high streets or retail parks (one mark for each valid example)

- A. _____
- B. _____
- C. _____
- D. _____
- E. _____
- F. _____
- G. _____
- H. _____

— 5. List up to four advantages of setting up a new business using an established franchise (one mark
4 for each different, valid item listed)

- A. _____
- B. _____
- C. _____
- D. _____
- E. _____
- F. _____
- G. _____
- H. _____
- I. _____
- J. _____

— 6. Outline three potential disadvantages for someone who decides to invest in a franchise rather than
3 starting a standalone business (one mark for each valid issue)

- A. _____
- B. _____
- C. _____
- D. _____
- E. _____
- F. _____
- G. _____
- H. _____

Short Answers

In this section, write a short answer (one or two sentences) for each question. Two marks for each good answer.

- $\frac{-}{2}$ 7. Why is opening a franchise often considered lower risk for an entrepreneur than setting up a new business

- $\frac{-}{2}$ 8. Why do franchises usually involve operating a service sector business rather than a manufacturing or secondary sector business?

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Franchise Basics

Complete the following questions in the time allowed by your teacher

QUICK DEFINITIONS

Write a short, accurate definition for each of the following key terms. (2 marks for each good quality definition)

– 1. Define: franchise
2

A business structure where a firm is allowed to trade using the brand and business format of an existing firm

The franchise is a commercial agreement which allows this to happen

A franchise is usually granted for a specific geographical area

– 2. Define: franchisor
2

The business which owns a trading format and brand which it allows other firms to use under a franchise agreement

– 3. Define: franchisee
2

A business which operates a franchise under an agreement from a franchisor

QUICK LISTS

In this section, provide an outline or list points which answer the question

– 4. List up to four examples of franchise businesses operating on UK high streets or retail parks (one mark for each valid example)
4

A. McDonalds

B. Subway

C. Post Office

D. Dunkin Donuts

E. Thorntons

F. O'Briens Sandwich Bars

G. Burger King

H. Dominos Pizza

- 5. List up to four advantages of setting up a new business using an established franchise (one mark
4 for each different, valid item listed)
- A. It is still your own business
 - B. Less risk - investing in an established business format
 - C. The franchisee gets advice, support and training
 - D. Easier to raise finance - banks like well-known franchises
 - E. No industry expertise is required in many cases
 - F. Benefits from the buying power of the franchisor
 - G. Want the feeling of satisfaction from building a business
 - H. Want more of the rewards from the effort being put in
 - I. Fed up with working in a business hierarchy or bureaucratic organisation
 - J. As a response to a change in personal circumstances - e.g. redundancy
- 6. Outline three potential disadvantages for someone who decides to invest in a franchise rather than
3 starting a standalone business (one mark for each valid issue)
- A. The franchise is costly! Royalties, commissions & other payments due to franchisor
 - B. The franchise may fail if the franchisor goes out of business
 - C. There is little control over marketing
 - D. Growth is limited to the franchise area or territory
 - E. Probably suffer from higher stress levels
 - F. Have to rely on multi-tasking
 - G. Usually have to work whilst sick, and not get sick pay
 - H. Experience a roller-coaster of emotions

Short Answers

In this section, write a short answer (one or two sentences) for each question. Two marks for each good answer.

- $\frac{-}{2}$ 7. Why is opening a franchise often considered lower risk for an entrepreneur than setting up a new business

Valid points include:

Franchise brand and product will be well established and proven

Franchisee benefits from all marketing activities (e.g. national advertising) of the franchisor

Customers more likely to buy from a trusted and known brand

The business will enjoy lower operating costs as some operating costs (e.g. marketing, management) are shared across many locations

- $\frac{-}{2}$ 8. Why do franchises usually involve operating a service sector business rather than a manufacturing or secondary sector business?

Valid points include:

Service sector businesses are well suited to franchises

Examples: retail outlets; home-based businesses; providers of local business services (e.g. printing)

Key to franchise quality is customer service delivery - which is what service businesses are about

Service businesses generally need to be located near to their customer base - ideal for franchises as different territories or sales areas can be defined