Different Types of Franchises & Strategies

for Potential Franchisors and Franchisees

Early Franchise Entrants





- 1898 Automobile Manufacturers
- Division of responsibilities:
 - manufacturers design & production
 - dealers: sales & service

Coca Cola Company

The Coca Cola Company

- 1886 : coca-cola invented
- 1899: Thomas & Whitehead 600-word contract promised to open a bottling plant
- 1901 : no capital to open the bottling plant ...?
- 1919: 1,000 franchised Coca-Cola bottlers

Gas Stations



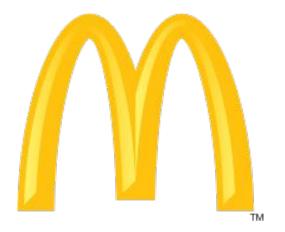


- 1930's Depression Era Franchising
- First example of Conversion Franchising
- Taxation of all company-owned gas stations
- Why pay that? let's FRANCHISE
- Also quicker local response to price changes

Fast Food Fifties



- Harlin Sanders gas station
- closed pumps: 142 seat restaurant
- 1950's: turned down \$164,000
- 1960 (200) 1980 (6,000)
- 2007: 13,433 KFC's world-wide



- San Bernardino, CA 1940
- Dick & Mac McDonald
- inspired by Henry Ford's assembly line
- Ray Kroc multi-mixer salesman
- world's largest chain of FF-rest's
- over 31,000 locations world-wide

1960's, 1970's, 1980's, 1990's









Franchising Timeline

- 1898 General Motors, ...Ford
- 1899 Coca-Cola
- 1930 Gas Stations
- 1952 KFC: 13,433
- 1955 McDonalds: 30,823
- 1964 7-Eleven: 31,680
- 1974 Subway: 26,197
- 1980 Mail Boxes Etc. 5,760
- 1995 Curves: 9,882
- 2001 Geeks On Call: 305

Principles of Franchising

- 1,550 company-owned restaurants
- Revenues \$1.69 billion
- Expenses \$1.42 billion
- Pre-Tax Profit \$270 million (16%)
- 4,550 franchised restaurants
- Revenues \$486 million (royalties)
- Expenses <u>\$ 78 million</u>
- Pre-Tax Profit \$408 million (84%)

Types of Franchises

- Manufacturer-Retailer (auto & gas)
 - = 70% of franchise sales
- Manufacturer-Wholesaler (coca-cola)
 - = 3% of franchise sales
- Business Format (McDonalds, Hilton)
 - = 27% of franchise sales
- Franchising in the Economy (1986) last year Dept. of Commerce collected data how has franchising evolved since then?

Franchisor Strategies

- Advantages Of The Franchise Model OPM expansion franchise & royalty Fees leverage IP assets efficient market penetration
- Disadvantages Of The Franchise Model does not solve existing problems initial development costs entering a new business: new expertise profile 'problems"

Feasibillity Analysis

- Is the concept franchise-able? 4 marketing P's: product, price, promotion, place
- Transferable PBS operations manual(s), training program, IP
- Management audit management depth management abilities
- Written evaluation & ratings operations, marketing, management, financial

Strategic Franchise Planning

- Developing a franchise infrastructure
- Protecting IP
- Competitive positioning & pricing
- Education & training
- Field services & support
- Franchise profile
- Franchise marketing

Franchise Documentation

- Operations manual(s)
- Training program
- Legal documentation franchise contract, franchise offering circular
- Franchise marketing materials brochure, application, press releases, web page
- Franchisor operations manual
- Franchise registration application(s)

Dual Distribution & Expansion Strategies

- Dual Distribution mix of company owned vs. franchised

Franchisee Strategies

- Industry Trend
- Investment Level
- Breakeven Point
- Working Hours
- Income Level
- Number of Employees
- Location & Lease
- Lifestyle & Image
- Master Franchisee, Area Developer
- Sell off franchise(s) & be a Franchisor