



Starting a Business FRANCHISING

Presented by **BaLinkBayan**

What is Franchising?

Franchising is a business method of expansion that allows an individual or group of individuals to market a product or a service and to use of the patent, trademark, trade name and the system provided by the owner.



Who is the franchiser/franchisor and franchisee



What are the benefits of franchising both to franchisee and franchisor



How to select a franchise business

Important things to consider before acquiring franchise business:

Self Assessment of the Franchisee

Examine oneself skills, interest, experiences and educational background / training that can help in choosing an appropriate franchise business.



Financial Capability of Franchisee

Prepare a short list of business franchises appropriate to your criteria and suitable to your budget.

Know the breakdown of the capital investment requirements such as: franchise fee, royalty fees, furniture and fixtures, signage, equipment, pre-opening expenses and operating capital.

Consider rental or construction or renovation of stall, wages of employees, water, telephone and electricity which is not part of the franchise cost.



Franchise Business Legitimacy

Check the following licenses from the following government and private sector:

- Department of Trade and Industry - DTI for business name certificate
- Department of Education - DepEd for school or center center
- Affiliated Franchise Association
- Bangko Sentral ng Pilipinas - BSP for remittance and payments
- Local Government Units permit for mayor's permit, sanitary or building permit
- Bureau of Food and Drugs - BFAD if it is food, cosmetics or drugs
- Bureau of Internal Revenue - BIR for VAT and other taxes
- Department of Transportation and Communications - DOTC for internet cafe or telicom business
- Intellectual Property Office - IPO for patent and trademark
- Social Security System - SSS for security of employees
- Securities and Exchange Commission - SEC for corporation

Franchise Business Performance

Examine the following:

- The value, appeal and quality of the product or services
- Direct Sales of products to the franchisee
- Sales of goods and services of the existing Franchisee
- Profit from royalties based on the franchisee's sales
- Product is unique with competitive product
- Examine the payback period and the return of investment
- Proprietary position in the market
- Be wary to get to know those people you will be working most closely with as you build your business.
- Visit a sufficient number of the existing franchisees to ensure you have a sense of the prevailing attitudes of the group.



Franchise Contract

- The operating policies and regulations of the franchise
- The nature and extent of your obligations to buy supplies and materials from the franchisee
- Your rights to resale or resell the contract beyond approved avenues
- The geographical area / location and type of franchise or locations to which you may sell
- Your rights to sell or transfer ownership of the franchise
- Franchisee's liability of the price, commission, special fees and taxes required to sell and operate the franchise
- Exclusive territory awarded to you and how franchisee can
- The terms and conditions to transfer a contract franchisee can
- The right of the franchisee to apply against portions of the total franchise fee for financial institutions or other "franchise alternatives"

Franchise Terms and Conditions

- Know the investment capital requirements.
- The amount of Franchise fee and the terms of royalties.
- The Agreement to split a royalty or commission fee based on gross sales or number of units sold in the franchise area.
- In some companies, payment of royalty fees for training, accounting services, advertising and general administrative expenses is being stipulated by the franchisee.
- Competition of the low cost of a franchise, i.e. all special fees, royalties, or profit on the interest charges on the original balance of the initial franchise fee.

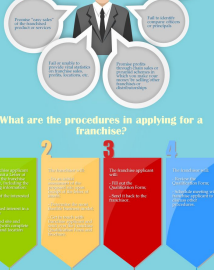
Packages and Benefits

Find out what will be providing the operational support and training already to you and terms on options about their competitors.

Description of the exact training and support services that franchisee provides like accounting services, advertising, order of equipment or facilities and many others.



What are the various frauds and schemes used by illegitimate franchisor



What are the procedures in applying for a franchise?

- The franchise applicant will submit a letter of interest to the franchisor company, including the following information:
 - Name of the interested party
 - Expected investment in the franchise
 - Proposed site and location (with complete address and location map)
- The franchisor will:
 - Conduct a preliminary assessment of the applicant's financial capability and business plan.
 - Conduct a background check on the applicant and check on the franchisee's credit history and financial records.
- The franchise applicant will:
 - Fill out the Questionnaire Form.
 - Send it back to the franchisor.
- The franchisor will:
 - Invite the Qualified Form.
 - Include working with franchise applicant to discuss other procedures.

All other steps will depend on the outcome of the discussions made between the franchisor and the franchisee.