

ABOUT FRANCHISING

ABOUT THE INTERNATIONAL FRANCHISE ASSOCIATION

The International Franchise Association, the world's oldest and largest organization representing franchising, is the preeminent voice and acknowledged leader for the industry worldwide. Approaching a half-century of service with a growing membership of more than 1,300 franchise systems, 10,000-plus franchisees and more than 500 firms that supply goods and services to the industry, IFA protects, enhances and promotes franchising by advancing the values of integrity, respect, trust, commitment to excellence, honesty and diversity. For more information, visit the IFA website at www.franchise.org.



ABOUT THE IFA EDUCATIONAL FOUNDATION

The IFA Educational Foundation serves as the research and education arm of the International Franchise Association. The Foundation is a 501 (c) (3) non profit organization and donations are tax deductible. The Foundation conducts research to expand the knowledge and awareness of franchising's role in the economy; provides continuing education and professional development programs through the Institute of Certified Franchise Executives (ICFE), and works to increase opportunities for women and minorities in franchising through the IFA Diversity Institute.



The terms “franchising” and “franchise” are often used interchangeably to mean a business, a type of business, or an industry. Strictly speaking, the “franchise” is the agreement or license between two parties which gives a person or group of people (the franchisee) the rights to market a product or service using the trademark and operating methods of another business (the franchisor). The franchisee has the obligation to pay the franchisor certain fees and royalties in exchange for these rights. In this sense, franchising is not a business or an industry, but it is a way of doing business.

This research study is focused on two types of franchises – product distribution franchises and business format franchises.

Product distribution franchises sell the franchisor’s products and are supplier-dealer relationships. In general, the franchisor licenses the use of its trademark to the franchisee but may not in all cases provide the franchisee with a system for running its business. Examples of product distribution franchises are soft drink distributors, automobile dealerships, and gas stations.

Business format franchises not only sell the franchisor’s product or service, with the franchisor’s trademark, but operate the business according to a system provided by the franchisor. The franchisor provides training, marketing materials, and an operations manual to the franchisee. There are many examples of business format franchises, including – quick service restaurants, automotive services, lodging, real estate agents, convenience stores, and tax preparation services, to name a few. The International Franchise Association represents business format franchising.

The typical franchise company (franchisor) will have establishments that are operated by franchisees as well as establishments that are operated by corporate employees. Over three quarters of franchised establishments are owned by franchisees. The remainder are owned by the franchisor. In the study, figures for “franchised businesses” include franchisee-owned and franchisor-owned establishments.

For more information about franchising, please visit the IFA Web site at www.franchise.org.