

Which Store to Franchise?

Many franchise systems tend to be retail-based. While franchises typically have a greater success rate than new independent businesses, there are some types of retailers that seem to be more suited to franchising than others.

In this activity, you need to determine whether a fast-food restaurant or a convenience store would be a more appropriate vehicle for franchising?

| Retail Factor | Potential Benefit | Value to a Fast food restaurant franchise | Value to a Convenience store franchise |
|-----------------------------|--|--|---|
| Brand | A strong brand may create the ability to win a greater number of customers, depending upon how consumers choose between competing stores | High Some Low | High Some Low |
| Training | Some businesses are complex to operate. Therefore, providing training is an advantage in more complex businesses | High Some Low | High Some Low |
| Efficient operations | Some businesses can generate a competitive advantage from efficient (stream-lined) operations – usually depending upon the number of steps in the business process | High Some Low | High Some Low |
| Borrowing access | Some businesses are quite expensive to set up and may require the owner to borrow. Typically, it is easier to obtain a bank loan for an established franchise system | High Some Low | High Some Low |
| Efficient buying | Buying at a good price, with consistent quality, from reliable suppliers is usually quite important to retailers | High Some Low | High Some Low |
| Product development | Some businesses require new products to help them grow. In a franchise system, the franchisor will often take on the responsibility for researching and developing new products. | High Some Low | High Some Low |

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| OVERALL | From the above information, how suitable is each of these types of stores to be franchised? | Very suitable Somewhat Not suitable | Very suitable Somewhat Not suitable |
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Student Discussion Questions

1. Start by reviewing both retail formats against the criteria in the above table.
2. Based on your responses in Q1, which of the two store types would be more suited to being franchised?
3. Other than in the retailing sector, what other business types do you think would be suitable for franchising?
4. Can you add to the above criteria, in order to help firms assess whether franchising is suitable for them?