**Franchises**

A franchise occurs when one business sells the right to another business to use its name and sell its products. The franchisor sells these rights and provides advice and training to the franchisee who buys the franchise.

What franchises can you think of?

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**Advantages of selling franchises**

* The franchisor gets a fee from franchisee and a percentage of their profits
* The franchisee provides most of the finance to set up the new outlet. This means faster growth than if the original business had to provide all the money
* The franchisee takes a major proportion of the profits and so should be very motivated to make the business a great success – this way everyone benefits
* Franchisees can learn from each other, which helps the business overall to do better and therefore make more money
* All franchisees help finance marketing campaigns which raises awareness more effectively than one outlet funding the whole campaign as there will be more money to invest

**Disadvantages of selling franchises**

* The original entrepreneurs no longer own the entire business; most of the profits go to the franchisee
* If there are quality problems with one franchisee this can damage the whole business; meaning it is important to check the quality of the franchisees

Why do you think Subway is such a successful franchise?

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