

## Franchising

Franchising means leasing for a designated period of time the right to use another firm's successful business model, brand, and know-how. The parties to a franchise agreement are called the franchisor and the franchisee. For the former, the franchise is an alternative to building one's own chain of stores. Thus one can avoid the investments and liability related to and running a chain. The franchisor's success depends on the success of the franchisees, which is why the latter is said to have a greater incentive than a direct employee because he or she has a direct stake in the business.

Essentially, the franchisor is a supplier who allows an operator, or a franchisee, to use the supplier's trademark and distribute the supplier's goods. In return, the operator pays the supplier a fee.

The United States leads the franchising market and it has done so since the 1930s when it first used the approach for fast-food establishments, food inns and, slightly later, motels during the Great Depression. As of 2005, there were 909,253 established franchised businesses, generating \$880.9 billion of output and accounting for 8.1 percent of all private, non-farm jobs. This amounts to 11 million jobs, and 4.4 percent of all private sector output.

The top three franchises in the United States and worldwide are:

1. Subway (whose core business is sandwiches and salads) - startup costs \$84,300 - \$258,300.
2. McDonald's - startup costs in 2010, \$995,900 - \$1,842,700.
3. 7-Eleven Inc. (which operates convenience stores) - startup costs in 2010 \$40,500- \$775,300.

Mid-sized franchises like restaurants, gasoline stations and trucking stations involve substantial investment and require all the attention of a businessperson.

Three important payments are due to a franchisor: a royalty for the trademark, reimbursement for the training and advisory services given to the franchisee, and a percentage of the individual business unit's sales. These three fees may be combined in a single 'management' fee. A franchise usually lasts for a fixed time period which are customarily broken down into shorter periods requiring renewal. This business model also operates in a specific territory or geographical area surrounding its location. One franchisee may manage several such locations. Agreements typically last from five to thirty years, with premature cancellations or terminations of most contracts bearing serious consequences for franchisees. A franchise is merely a temporary business investment involving renting or leasing an opportunity, not the purchase of a business for the purpose of ownership. It is classified as a wasting asset due to the finite term of the license.

Franchise fees usually comprise on average 6.7% with an additional average marketing fee of 2%.

**Ex. 1 Find the words or expressions in the text which mean the following:**

- 1) to let someone use something you own for a period of time: \_\_\_\_\_
- 2) specified: \_\_\_\_\_
- 3) responsibility for something: \_\_\_\_\_
- 4) something that is meant to encourage you to do something: \_\_\_\_\_
- 5) things that can be sold or traded: \_\_\_\_\_
- 6) sums of money you have to spend while setting up a business: \_\_\_\_\_
- 7) sizeable, big: \_\_\_\_\_
- 8) for instance the money that is paid to musicians for playing their songs on the radio: \_\_\_\_\_
- 9) return of costs: \_\_\_\_\_
- 10) meant to last for a specific period of time only: \_\_\_\_\_
- 11) to be made of several parts: \_\_\_\_\_
- 12) money owed to someone: \_\_\_\_\_

**Ex. 2 Match the expressions from the two columns into logical collocations:**

- |                    |               |
|--------------------|---------------|
| 1) know            | an agreement  |
| 2) a party to      | sector        |
| 3) a chain         | in a business |
| 4) to have a stake | how           |
| 5) to generate     | for something |
| 6) to account      | business      |
| 7) the private     | output        |
| 8) core            | cancellation  |
| 9) premature       | assets        |
| 10)wasting         | of stores     |

**Ex. 3 Provide English equivalents of these expressions:**

1) francyzodawca	7) tantiemy
2) francyzobiorca	8) aktywa zużywalne
3) znak towarowy	9) przedwczesne / przedterminowe
4) towary	10)zwrot kosztów
5) stanowić	11)zobowiązanie
6) główny obszar działalności gospodarczej	12)wiedza specjalistyczna

**Grammar corner...**

The franchisor's success depends on the success of the franchisees, which is why the latter is said to have a greater incentive than a direct employee because he or she has a direct stake in the business.

*The underlined phrase, somebody is said to do something, means that we don't want to say who says it or where they got the information. This structure is very often used in journalism when authors of texts don't want to reveal their sources. It works in two ways:*

*People say vegetarianism has a bad influence on our health.*

*=> IT IS SAID that vegetarianism has a bad influence on our health.*

*=> VEGETARIANISM IS SAID TO HAVE a bad influence on our health.*

*If you want to refer to the past, you do it like this:*

*In the 1950s and 1960s, people believed smoking was harmless.*

*=> In the 1950s and 1960s, IT WAS BELIEVED smoking was harmless.*

*=> In the 1950s and 1960s, SMOKING WAS BELIEVED TO HAVE BEEN harmless.*

**Ex. 4 Rewrite the sentences so that they begin as indicated:**

- 1) Analysts believe that the real estate market will recover soon. => The real estate market ...
- 2) Specialists estimate that the world's oil supply will run out sooner than later.  
=> It is ...
- 3) Economists project that the pharmaceutical industry, and the dietary supplements segment in particular, will grow two-fold in the next decade. => The pharmaceutical industry ...
- 4) Many entrepreneurs see franchise as a safe investment as it relies on world-renowned brands. => Franchise ...

- 5) Both parties consider the agreement fulfilled when the design is approved by appropriate authorities and the sum under the agreement is transferred to the architect's bank account. => The agreement ...
- 6) People rumour that the government plans to raise interest rates. => The government ...
- 7) Analysts expect the service sector to shrink slightly in the post-Christmas season, which traditionally sees an increase there. => It is ...
- 8) Sociologists and economists alike predict that immigration will have to be used to solve the Western world's demographic problems. => It is ...
- 9) The judge stated that the tax exemption was undue and it ought to be returned. => The tax exemption ...
- 10) People think that Moscow has a bigger concentration of luxury cars than any other city in the world. => Moscow ...

<b>GLOSSARY</b>	
<b>to lease</b>	wynajmować / być najemcą
<b>designated</b>	wskazany
<b>liability</b>	odpowiedzialność (zwykle po fakcie)
<b>an incentive</b>	zachęta / przywilej (np. podatkowy)
<b>goods</b>	towary
<b>startup costs</b>	koszty początkowe
<b>substantial</b>	znaczny
<b>royalties</b>	tantiemy
<b>a reimbursement</b>	zwrot kosztów
<b>finite</b>	na czas określony
<b>a due payment</b>	należna płatność
<b>know-how</b>	wiedza specjalistyczna
<b>a party to an agreement</b>	strona umowy
<b>a chain of stores</b>	sieć sklepów
<b>to have a stake in a business</b>	mieć udział / interes prawny w przedsiębiorstwie
<b>output</b>	produkcja / wyniki
<b>to account for something</b>	stanowić
<b>a core business</b>	główny obszar działalności gospodarczej
<b>premature cancellation</b>	przedwczesne / przedterminowe zerwanie (np. umowy)
<b>wasting assets</b>	aktywa zużywalne
<b>a franchisor v. a franchisee</b>	franczyzodawca v. franczyzobiorca
<b>to grow two-fold</b>	wzrosnąć dwukrotnie
<b>a trademark</b>	znak towarowy
<b>a market recovers</b>	na rynku następuje ponowny wzrost / ożywienie
<b>to run out</b>	skończyć się
<b>to fulfill an agreement</b>	wykonać postanowienia umowy / umowę

**an undue tax exemption**

nienależne zwolnienie z podatku

**ANSWER KEY:**

*Ex. 1*

- 1) to lease
- 2) designated
- 3) liability
- 4) an incentive
- 5) goods
- 6) startup costs
- 7) substantial
- 8) royalties
- 9) a reimbursement
- 10) finite
- 11) to comprise
- 12) a due payment

*Ex. 2*

- 1) know how
- 2) a party to an agreement
- 3) a chain of stores
- 4) to have a stake in a business
- 5) to generate output
- 6) to account for something
- 7) the private sector
- 8) a core business
- 9) premature cancellation
- 10) wasting assets



*Ex. 3*

- 1) a franchisor
- 2) a franchisee
- 3) a trademark
- 4) goods
- 5) to account for
- 6) a core business
- 7) royalties
- 8) wasting assets
- 9) premature cancellation
- 10) a reimbursement
- 11) a liability
- 12) know how

*Ex. 4*

- 1) The real estate market is believed to recover soon.
- 2) It is believed that the world's oil supply will run out sooner than later.
- 3) The pharmaceutical industry, and the dietary supplement segment in particular, is projected to grow two-fold in the next decade.
- 4) Franchise is seen (by many entrepreneurs) as a safe investment as it relies on world-renowned brands.
- 5) The agreement is considered fulfilled when the design is approved by appropriate authorities and the sum under the agreement is transferred to the architect's bank account.
- 6) The government is rumoured to raise interest rates.
- 7) It is expected (by analysts) that the service sector will shrink slightly in the post-Christmas season, which traditionally sees an increase there.
- 8) It is predicted (by sociologists and economists alike) that immigration will have to be used to solve the Western world's demographic problems.
- 9) The tax exemption was stated undue and to be returned.
- 10) Moscow is thought to have a bigger concentration of luxury cars than any other city in the world.