

## What is franchising?

Franchising represents a form of business partnership by which the owner (franchisor) of a product, service or method obtains distribution through affiliated dealers (franchisees). It is not an industry in itself. Rather, it's a way of doing business that can be applied in almost any sector. According to the U.S. Small Business Administration, franchising is the fastest-growing kind of small business and provides a fast, low capital way to build a business.

### 3 key elements of a franchising operation

1. **Brand:** a strong brand is the key element of a franchise system. With a franchise, owners get a brand name, an image of quality and success and become a representation of an organization's existing reputation.
2. **A proven method of running a successful business:** Fundamental to a successful franchise system is a tested and executable business model that could be repeatable and duplicable. Franchisors need to provide training and assisting franchisees in the pre-opening phase of their business.
3. **Franchise Fee:** When a franchisee decided to take a short cut in running a new business using someone else's successful business system, it is logical to pay a fee for the right of using someone else's brand and operating system. Moreover, franchisee is expected to pay for franchisor's ongoing support.