



Oops! You're a Franchise

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Advantages


Franchisor	Franchisee
<ul style="list-style-type: none"> • Expansion using franchisee \$ • Royalties on sales • Rebates from Suppliers • Competitive strength 	<ul style="list-style-type: none"> • Proven business model • Advertising by franchisor • Franchisor operational support



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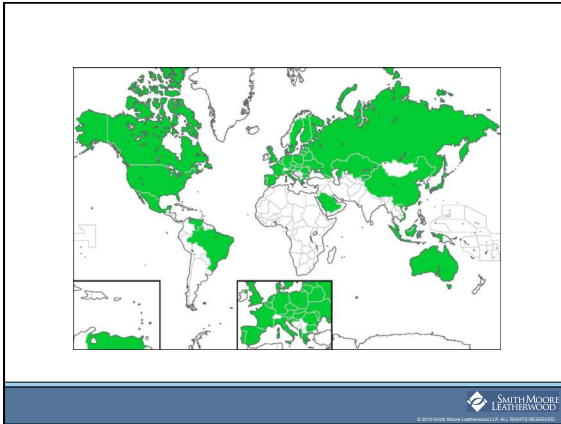
Typical Problems (but not inevitable)

- Insufficient profit to support Franchisor and Franchisee
- Franchisee's unrequited entrepreneurial spirit (wants to control business)
- Franchisor's inattention to system health
- Over/under saturation of the market (encroachment)


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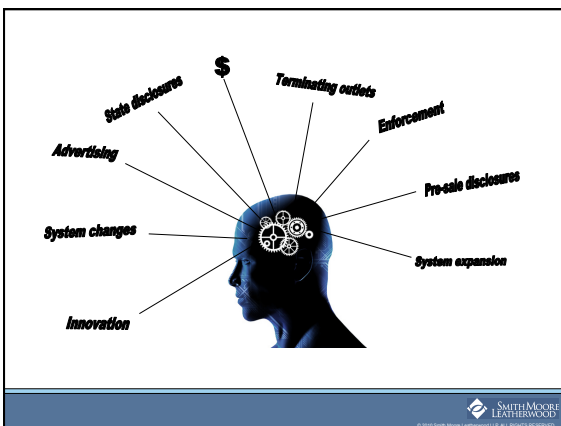



Why Should You Care?




- Difficulty exporting system
- Difficulty importing system
- Potential new franchise laws or regulations

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I'm a
WHAT?



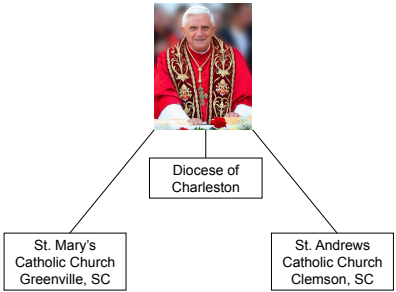
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What is a Franchise?

- The right to do business under a common trademark, service mark or name
- A continuing common business
- A fee

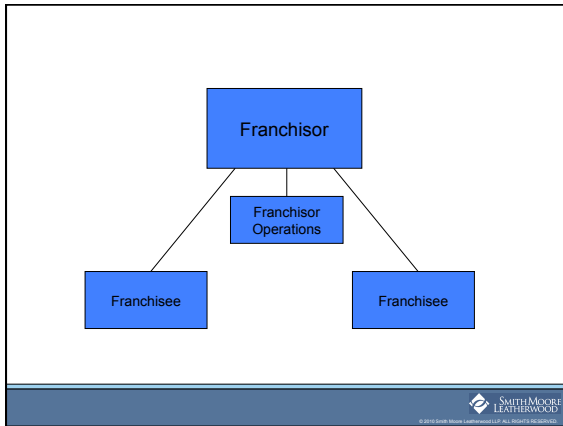


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Widget Master, Ltd.

Widget Fun® windmills



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Options for Expansion

- Company locations (company investment)
 - Strain on company funds
- Bring in investor money
 - Loss of control of company
 - Dilute company ownership
- Establish Dealerships and Franchises
 - Leverages company funds with third party funds
 - No loss of control

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Dealership/Distributor

- Widget Fun® products wholesaled to dealers, who sell to users
- Widget Master issues service bulletins to dealer
- Dealer can use Widget Fun® mark
- Dealers must buy Widget Fun® product displays
- Dealer pays a premium price for the initial inventory



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Licensed Operators

- Widget Master licenses operators to buy Widget Fun® products and set up a Widget Fun® Play Factory
- Operator pays Widget Master a royalty based on income
- Operator pays Widget Master for training the operator's employees



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Service Providers

- Widget Master trains and authorizes others to service Widget Fun® products
- Provider pays Widget Master for training
- Provider pays Widget Master a fee for every job it does



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