A franchise is the firm that buys the legal right to use another businesses name and logo. This means that a franchisee would be using a tried and tested product that is advertised by the franchisor. By using a tried and tested product they can be assured that it will be successful as customers will recognise the brand name. Second Cup is one of the most established coffee retailers in the world, this means that they will be highly likely to get sales and make a profit. This would lead to guaranteed success in the long term.

The franchisor would also provide the franchisee with training and support in setting up their business, this will increase the likelihood of success for the franchisor, especially when compared to running their own business because if they have a problem the franchisor will give them advice.

However, the franchisee must run the business exactly how the franchise agreement states, which means that they cannot change any aspect of the product or service. Unfortunately, this means that the franchisee cannot be creative or incorporate any of their own ideas into the business. The franchisee might become frustrated and prefer to run their own business.

Another disadvantage could be that the franchisee has to pay a royalty fee to the franchisor , this will impact on their profit when compared to running their own business.

***QUESTION***

*Second Cup, a specialist coffee retailer, was set up by Tom Culligan, in Toronto, Canada in 1975. He expanded the business through franchising, selling the rights to the business name and product.*

*Second Cup is now one of the most established coffee retailers in the world. Second Cup cafés offer a wide selection of coffees, espresso-based beverages, iced beverages, blender drinks, speciality teas, frozen yogurt and a range of food items.*

*Second Cup is aiming to expand in the UK by opening up new franchises.*

*(e) Explain the advantages and disadvantages of becoming a franchisee. [8]*

WAGOLL (What a Good One Looks Like)……

Answer shows some knowledge of franchises and the advantages and disadvantages to the franchisee. However the response does not explain the points that it makes and explain why these are advantages and disadvantages to the franchisee and what impact it will have.

Advantages of becoming a franchisee are that you get to start off as an already existing company meaning that people will most likely know and trust your company. Being a franchisee means that you don’t have to decide where to buy stock.

Disadvantages include the fact that there is a lack of control by the franchisee. Another disadvantage is that you need to pay the franchisor.

NOTES

**AO3 Analysis & Evaluation**

Analysis - Explain the impact on a business and its stakeholders (so what? why?)

Evaluation – Make a judgement

**AO2 Application**

Using your knowledge of a topic and applying it to a certain scenario

**AO1 Knowledge & Understanding**

What you know about a given business concept or issue

WABOLL (What a Bad One Looks Like)…..

Answering8 / 10 Mark Questions