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To Franchise or to License

Part 1 : Franchising - What is it actually?

This is a 3 part article on Franchising and Licensing and their differences.

Part 1: Franchising – What is it, actually?

Franchising is business and it is the fastest growing business in the world today. Franchises are a personal investment both in equity, time and energy. Needless to say that Franchises can range from the ubiquitous, McDonalds® to lawn mowing services such as Mr Green, valet services, medical and dental services, to book keeping services and even to services helping us to prepare our tax forms. Buying into a franchise is essentially buying into a business.

However, one must take the time to understand that Franchising encompasses products and services from the stage of manufacture, supply for manufacture, processing, distribution and sale of goods, to the rendering of services, the marketing of those services, their distribution and sale and this requires the efforts, know-how and skill of both the Franchisor and Franchisee.

the system developed by the franchisor.

A franchised system is generally a package including the intellectual property rights – such as the rights to use the Trade Mark, logos, and “get-up” associated with the business; any inventions such as patents or designs, trade-secrets, and know-how of the business and any relevant brochures, advertising or copyrighted works relating to the manufacture, sale of goods or the provision of services to customers. The Intellectual Property is



Building your Business

It is the Franchisor who develops a system for the business and establishes a blue print for others who then operate the same business using the same name and system. The advantages of investing into a franchise are:-

- Freedom of employment
- Proven product or service outcomes
- Semi-monopoly; defined territory or geographical boundaries

unique to the business and provides the business with its competitive advantage and market niche.

Unfortunately, the most overlooked aspect of franchising is the importance of its Intellectual Property. The essential factor of a Franchise is its name. This is how products and services are marketed and sold. Many fail to realize the value a brand name brings to a business which in turn becomes the most attractive force to potential customers. It is important to note that the monopoly position encom-

- Proven brand, trade mark, recognition
- Shared marketing, advertising, business launch campaign costs
- Industry know-how
- Reduced risk of failure
- Access to proprietary products or services and others

A franchise arrangement is an arrangement whereby the franchisor permits the franchisee, in exchange for a fee, to exploit

passed in the brand name must be thoroughly explored. A brand name availability search is therefore essential and should be performed by a professional search service.

Therefore, what makes a good franchise? Successful franchises are the result of innovation, initiative, investment and industry. A good franchise is always sparked by a good idea which fills a market need and that good idea must be reinforced by the initiative and drive of its creator to make the idea work.

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Coming Soon

- To Franchise or to License — Part 2
- To Franchise or to License — Part 3
- Patent FAQ's

Other articles

- Major Areas of Intellectual Property
- Trademark FAQ
- Procedures & Flowcharts
- Copyright FAQ's