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Mom and Pop vs. Franchisees: Pros and Cons

There are many advantages to opening up a franchise versus an independent store. But there are some disadvantages, as well.

When it comes to owning a small business, not everyone goes the route of starting up their own mom-and-pop shop. In fact, if a hopeful entrepreneur has no clue how to write a business plan and likes the idea of having a bigger “parent” company at their backs, opening a franchise might be the better option.

But does one really feel the same sense of ownership with a franchise as an independent small business? It is possible - under certain conditions, that is.

“I think what you find in the most successful franchise systems is a group of franchisees who feel completely integrated into the culture of that business, who feel completely part of the fabric of the way that particular company operates,” said Matthew Shay, president and CEO of the [International Franchise Association](#). “For franchisees to really feel integrated into that culture, there needs to be a very strong sense they’ve got ‘ownership’ over the brand, over the units – ‘this is really our thing’ ... It needs to be a collective sense with the franchisor.”

In the United States, there are about 900,000 individual franchise units -- that includes the total number of franchisors AND franchisees (ie Jamba Juices, [McDonald’s](#), Wendy’s and the like) across the country. The number of franchisees is significantly less than that, as many franchisees own multiple units. This may be because once a franchisee knows how to “work” the franchise system, he or she often then will open multiple franchises in different areas. For example, a [Burger King](#) owner may have 10 of the company's franchises, as well as a car wash.

There are many advantages to opening up a franchise versus an independent store, including: the franchisee can operate under the parent-company’s business plan, name recognition, corporate logo, trademark and can utilize all its training and support resources in exchange for an initial franchise fee plus ongoing royalty payments; national marketing is up to the franchisor, so the franchisee can focus more on being the direct “face” of the company to consumers; franchisees also can minimize the amount of financial risk involved in starting their own business; landlords and property owners may be more likely to give a franchisee prime space knowing the track record of the franchise; and franchisees also often benefit from volume purchase agreements.

“They do see themselves as independent,” said Giovanni Coratolo, vice president of small business policy at the [U.S. Chamber of Commerce](#). “They know how to operate within that system. They’re entrepreneurial within that franchise system. ... They know how to expand and invest within that system.

“There’s a dynamic relationship” between the franchisor and franchisee, he said, and it is to the advantage of both to see the individual businesses succeed.

But there are some disadvantages, as well. As, for one, franchisees don't have total control over what they can do with their own store.

"There are give and takes – sometimes it's not a totally harmonious relationship," Coratolo added. "They [franchisees] don't consider the parents a boss – it's a contractual relationship.

The business plan often will specify hours of operation, colors of the corporate logo and other details. Some franchisees may be required to purchase from certain distributors or to offer certain promotions, and to agree to termination clauses, which essentially say the franchisor may have the right to terminate the franchise agreement if certain items are not met.

Franchisees may face other stipulations in the franchise agreement, according to the [American Franchise Association](#), including a waiver of legal rights and freedom of association with certain organizations, obligation to purchase supplies from certain entities approved by the franchisor and non-compete clauses.

Franchisees "may feel somewhat constrained by some of the terms of the franchise agreement and they may want to make some changes, but it's important for them to understand that the branding and the power of brand is consistency. You need to understand that going in," said Bill Allen, a counselor with the Orlando, FL, chapter of [SCORE](#), which is affiliated with the Small Business Administration.

Given all these pros and cons, experts agree it takes a certain type of person to be ready and willing to run a franchise versus an independent startup.

"Some entrepreneurs are so independent-minded they don't want to give up control of any aspect of the business," Shay said, noting that the decision should be based on one's personality type. "For those business people, fitting into the structure of the corporate business" isn't for them.

While a different dynamic than that for a typical mom-and-pop shop does exist, experts said there isn't a total loss of identity as a franchised-business owner.

"The franchisee owner tends to feel himself very independent within the parameters of the franchise," Coratola said. "They don't look at themselves as a less of an entrepreneur just because they've elected to go within a structure."

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