**Types of business**

**organisation**

1.Sole trader

2.Partnership

3.Private Limited 4.Company (“Ltd”)

5.Public Limited 6.Company (“plc”)

7.Co-operatives

8.Franchises

9.Public sector

**Reasons why franchising has become more popular**

Large companies have seen it as a means of rapid expansion

Franchisee provides most of finance –reduces investment in expansion

Local entrepreneur with inherited or redundancy money sees opportunity to set up business with reduced risk

Banks like combination of large company and small local business as a reduced lending risk.

**Franchises**

**The franchisor** is the business whose sells the right to another business (franchisee) to operate a franchise

􀂉Franchisor may run a number of their own businesses, but also may want to let others run the business in other parts of the country

A franchise is bought by the **franchisee**

􀂉Franchisee required to invest –often around £10,000 -£50,000 in acquiring the franchise licence and setting up the business

􀂉Once they have purchased the franchise they have to pay a proportion of their profits to the franchisor on a regular basis

􀂉Depending on the business involved, the franchiser may provide training, management expertise and national marketing campaigns

􀂉May also supply the raw materials and equipment.**tutor2u™ GCSE Business Studies**

**Advantages and disadvantages of franchising**

Advantages

􀂉Tried and tested market place, so should have a customer base

􀂉Easier to raise money from bank to buy a franchise

􀂉Given right and appropriate equipment to do job well

􀂉Normally receive training

􀂉National advertising paid for by franchisor

􀂉Tried and tested business model

Disadvantages

􀂉Cost to buy franchise

􀂉Have to pay a percentage of your revenue to business you have bought franchisor

􀂉Have to follow franchise model, so less flexible