



Definition of Franchising

Franchising is a long-term cooperative relationship between two entities—a franchisor and one or more franchisees—that is based on an agreement in which the franchisor provides a licensed privilege to the franchisee to do business. The franchisor grants the franchisee the right to use a developed concept, including trademarks and brand names, production, service and marketing methods and the entire business operation model, for a fee. The franchisee then provides the time, capital, and desire to utilize the brand and services provided by the franchisor to build a thriving business.

The product, method or service being marketed is usually identified by the franchisor's brand name, and the holder of the privilege (franchisee) is often given exclusive access to a defined geographical area for a defined period of time, all of which is defined in the Franchise Agreement.

Franchise

A privilege or right officially granted to offer specific products or services under explicit guidelines at a certain location for a declared period of time.

Franchise Agreement

The legal document between the Franchisor and the Franchisee that governs the relationship between the two entities for a specified period of time. It frames the relationship in a concise manner.

Franchisee

A person or entity to whom the right to conduct a business is granted by the franchisor or licensor.

Franchisor

The company owning/controlling the rights to grant franchises to potential franchisees.