End of Chapter Review Questions and Answers – Chapter 5

1. How do you rate the advantages of the chain and independent on the seven factors cited in the text? Are there other factors that should be considered?

The advantages in each of these areas come down to two factors. Chains generally have the advantage in terms of economies of scale which brings down the cost and increases the efficiency of delivery in such areas as purchasing, control and information a systems and marketing. Independents, on the other hand, have the advantage when it comes to flexibility. This can be a specific advantage when it comes to new product development. It can be concluded by saying that the each has their advantages, as applied to each of the factors.

2. What is the trend in chains’ market share in food service? Explain this trend.

The trend in chains’ market share is that chains continue to grow their market share; particularly the top ten chains. The increase was dramatic in the 1970s, has slowed, but continues to grow (pages 141-142). It can be explained by all of the advantages that chains have to offer including price/value and brand recognition.

3. What are the major services provided by the franchisor to the new franchisee? Contrast them with the continuing services provided to established franchisees.

The major services that are offered include screening of new franchisees, site selection, pre-opening training, and operations manuals. Continuing services include operating and control procedures, information management, quality control, training, field support, purchasing, marketing, advertising, new product development, and new concepts (pages 152-158).

4. How do you assess your prospects as a franchisee? What characteristics do you think would be important to being a successful franchisee?

Franchisees should assess their prospects by the brand recognition of the franchisor, how well the franchisee’ views of business are aligned with the franchisor and potential return on investment. They must also assess their potential risks (pages 151-162). Characteristics of a successful franchisee include risk aversion, system orientation, coachability, hard work affinity and strong people skills.

5. What does the franchisor gain from franchising? What advantages does the franchisor give up by franchising instead of owning units?

For the franchisor, the advantages come from accelerated expansion and the ability to use other people’s money. At the same time, the franchisor gives up the potential for greater profits and the loss of total control.