FRANCHISING AND LICENSING YOUR BUSINESS

Letting others run your business model under your brand: how it works, what it costs, and the rules involved.

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AT A GLANCE

- **Franchising:** others pay you fees to open and run businesses using your brand, systems and support.
- **Licensing:** others pay you to use your brand, recipes, designs or products, usually with less control and support.
- Franchising is **heavily regulated** in the US. You'll need a lawyer who specializes in franchise law.

WATCH OUT

In the US, the FTC Franchise Rule requires franchisors to give a detailed **Franchise Disclosure Document (FDD)** to buyers before they sign or pay, and many states have extra registration rules. This guide is general education only.

Why it matters

Franchising lets a proven model spread faster than you could fund yourself, because franchisees invest their own money. But it also turns you into a different business: one that sells and supports franchises, not just customers.

Franchising vs. company-owned growth

	Company-owned locations	Franchising
Who pays to open	You	The franchisee
Your income	All the location's profit	Fees and royalties (often a share of sales)
Control	Full	Through the franchise agreement and systems
Speed	Limited by your money and team	Can be faster
Legal requirements	Standard	Disclosure, registration and franchise law
Your role	Running locations	Supporting franchisees, protecting the brand

Is your business ready to franchise?

- **Proven and profitable** at more than one location, ideally
- **Easy to teach**: written systems and training. See **O-06 Systems and Checklists: Running the Business Without Doing Everything Yourself**.
- **A strong, protected brand.** See **B-08 Trademarks, Copyrights and Patents in Plain Language**.
- **Profit margins that support royalties** and still leave the franchisee a good living
- **Cash and team** to build franchise support: training, marketing and quality checks

Typical fees

Fee	What it is
Initial franchise fee	Paid by the franchisee when they sign
Royalty	Ongoing, often a percentage of sales
Marketing fund	Ongoing contribution to brand-wide marketing
Other	Training, technology and supplies

Fees vary widely by industry and brand.

Licensing: a lighter option

Licensing lets others sell your product, use your recipes, or put your brand on goods, in exchange for a fee or a share of sales. It needs less support, but gives you less control. It still requires careful contracts.

> EXAMPLE
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> **Lina** was approached by two people who wanted to open "Lina's Bakery" in other cities. Her lawyer explained the FDD and state registration costs and time. She decided to open one more company-owned location first, and licensed her pastry recipes and brand to a regional café chain in the meantime. That brought in steady royalties while she built the systems she'd need to franchise later.

Common mistakes

- **Franchising too early**, before the model is proven.
- **Skipping legal requirements.**
- **Fees so high franchisees can't make money.**
- **Not enough support**, which damages the brand.

Your checklist

☐ Prove the model at more than one location

☐ Write your full operations and training systems

- ☐ Protect your trademark
- ☐ Check franchisee economics after royalties
- ☐ Talk to a franchise lawyer before offering a franchise

Where to go next

- **G-04 Opening a Second Location**
- **B-08 Trademarks, Copyrights and Patents in Plain Language**
- **O-06 Systems and Checklists: Running the Business Without Doing Everything Yourself**

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