

	Franchises	Joint ventures
Definition		
Advantages		
Disadvantages		

Definitions

Two or more businesses agree to work together on a project and set up a separate business for this purpose.

A business system where entrepreneurs buy the right to use the name, logo, and product of an existing business.

<u>Advantages</u>	<u>Disadvantages</u>
less chance of business failure	one firm may learn from the other and become a competitor in the future.
market and product knowledge shared	mistakes damage reputation of all firms - even if it's the fault of just one.
each business brings different expertise	very strict controls on what can be done with product
franchisor finances promotion	franchisor takes % of revenue or profits each year
franchisee pays for local promotions they decide to do	difficult to make decisions - different businesses may have different styles of leadership.
reduces risk for each business	Initial cost can be expensive
advice and training from franchisor	
guaranteed quality of supplies	