

## Background

Hi everyone. I want my own business but I am a bit worried about all these stories of new businesses going broke. Any ideas anyone? I don't have a business background but have got a degree in French and would like to do something with it. Bella23

Have you thought of getting a franchise? It takes the risk out of going it alone. Loopy

Have heard about franchises. How do they work? Bella23

Basically you take someone else's business idea. Even a big operation like McDonald's is a franchise. The franchisee pays to join the franchise and the franchise holder operates the business under licence. You are buying their system from them. Loopy

Yes, and it's a great way for a businessperson to make their business grow. You get other people investing in your business idea and they pay you a royalty. Handyman

Hi, Handyman. You know what you're talking about. Are you a franchise owner? Bella23

No I'm not, but I have a tyre shop franchise, so I'm a franchisee. I used to work in a garage but decided I wanted to go into business myself. I didn't know what to do so I took a franchise opportunity. Handyman

There are educational franchises out there where you run a school or a club for teaching kids. That way you'd be able to use your languages. Loopy

Yeah? How much money do you need to put up? Bella23

Well, I've been looking into this. First of all there's a joining fee. It can be €2,000 for a drain-clearing franchise to 100s of 1,000s of euros for a fast food franchise. Loopy

Wow! So all this goes to the person who came up with the idea? Bella23

Or the master franchisor – that's the person who buys the right to manage their own franchise network in a state or country. I pay money to the master franchisor. Handyman

But isn't this a rip-off? What do you get in return? Bella23

A big organization will get good deals with suppliers and get discounts that are unavailable to small independent businesses. They deal with advertising, let you use their logo, and provide shop-signs. And they help with accounting, ordering, and stock control. Handyman.

And then you pay a percentage of your profits right? Loopy

Wish I did! You pay royalties on your turnover not your profit! Handyman

I went to a franchise fair last month. Everyone had a glossy brochure, but there were lots of sharks there who wanted to take me for a ride. They just wanted me to get my chequebook out. Loopy

Yeah. You can really get your fingers burned if you're not careful. Handyman

I understand, I guess I like the idea of being part of something bigger. I guess it means that you're working for yourself, without being totally by yourself. What's the failure rate for a franchise? Bella23

I read it's about one in ten. But it all depends on the line you're in. Loopy

And what's the catch – apart from the money I mean? Bella23

You are tied to the franchisor for signs, supplies of goods, uniforms and so on. Handyman

If some kind of consumer scandal tarnishes the name of the franchisor, then you will suffer from that too. Loopy

Well, thanks guys for all your ideas. I need to have a long hard think and decide what kind of thing I could go into. Keep your fingers crossed for me. Bella23

***Isabella and two other people are speaking on the forum. They all use pseudonyms.***

*Read the contributions carefully and decide who says what.*

*Who ...*

- 1 has a franchise? \_\_\_\_\_
- 2 suggests a suitable kind of franchise? \_\_\_\_\_
- 3 asks about the investment you need to make? \_\_\_\_\_
- 4 is actively looking for a franchise opportunity? \_\_\_\_\_
- 5 warns about the dangers of franchise fairs? \_\_\_\_\_
- 6 corrects another member about the costs that are involved? \_\_\_\_\_
- 7 describes the practical benefits of having a franchise? \_\_\_\_\_
- 8 likes the idea of belonging to a bigger organization? \_\_\_\_\_

*Task 2·Read the statements and decide if they are True/False Statements*

- 1. Bella23 has a business background and wants to start a business.
- 2. Handyman owns a fast food franchise.
- 3. Loopy suggests that franchises can be a safer option for starting a business.
- 4. Bella23 is considering starting a business related to her degree in French.
- 5. The franchisee pays royalties on their profits, not turnover.

*Task 3· Fill in the gaps with the correct words from the text.*

- 1. A franchisee pays to join the franchise and the franchise holder \_\_\_\_\_ the business under licence.
- 2. A large company can secure favorable deals with suppliers and obtain \_\_\_\_\_ that smaller independent businesses may not have access to.
- 3. The \_\_\_\_\_ can be €2,000 for a drain clearing franchise to hundreds of thousands of euros for a fast food franchise.
- 4. It's an excellent way for a \_\_\_\_\_ to expand their business.
- 5. The master franchisor is the individual who acquires the rights to \_\_\_\_\_ their franchise operations in a specific region or country.

*Task 4 Match definitions 1-6 to words in the text.*

- 1 the original owner of a franchise: \_\_\_\_\_
- 2 someone who buys the right to use the franchise: \_\_\_\_\_
- 3 the money you pay to become a member of the club: \_\_\_\_\_
- 4 the money that comes into a company from the sale of goods and services:  
\_\_\_\_\_
- 5 the percentage that a business pays someone else: \_\_\_\_\_
- 6 the money that is left when you have covered your costs: \_\_\_\_\_

*Task 5 Match 1-6 to a-f.*

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|------------------------------------------------------|--------------------------------------|
| 1 If you go bust / broke, ...                        | a it costs more than it is worth.    |
| 2 If you ask what the catch is, ...                  | b you are fooled or cheated.         |
| 3 If you get your fingers burned, ...                | c hope nothing will go wrong.        |
| 4 If you keep your fingers crossed, ...              | d your business loses all its money. |
| 5 If something is a rip-off, ...                     | e you learn a lesson the hard way.   |
| 6 If you are taken for a ride, ...<br>disadvantages. | f you want to find out about hidden  |