

What are they?

WHAT IS A FRANCHISE SYSTEM?

The Franchise system was born more than a century ago in the United States of America, in 1862, due to the needs of distribution and coverage of a company dedicated to manufacture sewing machines called I.M. Singer and Co. Many other companies began to adopt the same concept and negotiated with dealers and distributors, such as the automobiles companies and the main soft drinks.

However, it was after the Second World War that a massive development of this system began with the private investors in the United States, who forced to participate in the new economic life of their country; found on the franchise system a good solution.

Today; this type of system is expanding at international level and its popularity comes without no doubt from the fact that it joins the necessary elements for a business to grow and succeed with similar ideas, prestige and the know how, good capital flux; entrepreneur people, and the commitment to establish long term relationships.

The Franchise System in our country and in the rest of the world is considered a powerful mechanism for business development and in Mexico its results during the last years are a vivid proof. In our country is the more dynamic business area. This effective manner to distribute goods and services gain its popularity under the 1989 years opening the doors to the Sistema Nacional de Franquicias and there are more Mexican businesspeople noticing the success of this business format and its many possibilities.



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The Franchise basic concept.

This business concept is a form of goods and services distribution, integrating the following elements:

1. The franchiser or brand owner is the person who is willing to grant a franchise under a previous negotiation about the payment of a fee, sales percentage and publicity cooperation.
2. The franchisee or person interested in managing a patented trademark and company name will become the owner of its own business acquiring the following engagements:
 - Buy the license of the brand he is interested on. Have the discipline to follow the instructions, counseling and supervision gave by the franchiser with the intention to make him successful. He also will have to maintain a good feedback relationship and must of all good communication.
3. The contract, as part of the structural base of the negotiation on a franchise, is intended to avoid, prevent and ease the solution of any conflict that could arise in the daily business operation. This document should contain the fundamental clauses related to: considerations, definitions; payments, granting of the license, duration, territorial rights, franchiser obligations, operation' manuals; agreements related to the publicity system. It should also include the franchiser authorization to see the financial data, to be able to observe and prove the business development and success, among other considerations.

Types of Franchises

The Franchise System is divided in two types:

- Franchise of the brand or of the product.
- Franchise business Format

In the Franchise of the brand or the product, the distributor acquires a certain supplier identity and has to promote the sales of certain and all the product lines of the franchiser company. For example of this type of franchises are the automobiles distributors and the soft drinks bottling companies and other similar companies.

The Franchise business format not only includes the products; services and brands but also the tactics and marketing plans, operational manuals, operational standard and quality control. This type of Franchise requires of a permanent communication between both contractors. El Fogoncito and must of the Commercial Companies as photocopiers, laundries, restaurants, real estate etc. belong with this type of Franchise



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