

# Franchising Terms Explained

<b>Area Development Franchise</b>	A Franchise which includes the rights to expand a region through appointed sub-franchise or multiple managed outlets.
<b>Block Exemption</b>	The European Union concessions to franchising which bypass the normal EU anti-restrictive trade practices legislation seeking to protect competition – which, for example, “exclusive areas” can be deemed to contravene.
<b>Business Format Franchise</b>	The franchisee buys into a <i>total</i> turnkey system of brand, know-how, training, methodology and support.
<b>Buyback</b>	Where the franchisor agrees to purchase a franchise back from a franchisee if the latter no longer wishes to continue.
<b>Disclosure</b>	The practice of revealing detailed information about the franchisor’s business track record and franchise package. This is a legal obligation in USA but voluntary in for example this country.
<b>Exclusive Area</b>	The territory licensed out to the franchisee in which to conduct the business. The exclusivity is defined by the terms of the Franchise Contract.
<b>Franchise Contract</b>	Also known as the “Franchise Agreement”, it documents the legal relationship of obligations existing between franchisor and franchisee.
<b>Franchisee</b>	The person who buys a license to replicate a business system.
<b>Franchising</b>	Method of marketing goods and services via a business formula licensed for others to copy.
<b>Franchisor</b>	The Company that offers the license to replicate their system.
<b>Franchise Package</b>	The sum total of franchise system rights licensed to the franchisee, including branding, know how, system, territory and training – for which an initial Franchise Fee is charged by the franchisor.
<b>Intellectual Property Rights</b>	The Franchisor’s secrets of doing business and various trade marks, branding, manuals etc, which should be legally protected before being sold in a franchise package.
<b>Job Franchise</b>	Where the Franchisee is a hands-on owner-operator rather than a manager.
<b>Know –How</b>	The sum of the Franchisor’s secrets of doing business, also referred to as intellectual property.
<b>Management Franchise</b>	A franchise in which the owner manages the operation and co-ordinates employees to do the actual work.
<b>Operations Manual</b>	The detailed document or “bible” which describes every item of the business system and work procedures.
<b>P&amp;L Projections</b>	The Calculations, based on the franchisor’s, experiences, which try to predict how soon franchisees can expect a return on their investment, year –to-year turnover and profits.
<b>Renewal</b>	Refers to the legal provisions in the Franchise Agreement for renewing or not renewing the franchise for a further term of years.
<b>Re-Sale</b>	Refers to a franchised area already established by a franchisee, offered for sale because the original franchisee wants to realize his investment, move on or simply retire. More expensive to buy than a “Virgin” franchise area, but with the advantages of an ongoing customer base, referrals, goodwill and income from day one.
<b>Return on Investment</b>	The calculations or expectations which franchisees work on to assess when they can “break even” on their initial investment in the franchise and start earning profits.
<b>Term</b>	Refers to the agreed period of years (eg: 5, 10, 15) for which a franchise is granted through the Agreement.
<b>Termination</b>	Refers to the legal provisions by which either party in the relationship may terminate the contract through the Agreement.
<b>Territory/Area</b>	That exclusive portion of land, on a national, regional country or postcode basis, which is allocated to franchisees as part of the franchise