



## EVALUATING FRANCHISING OPPORTUNITIES

**Course Number: 050632801**

**Mon/Wed 3:15-4:30**

*(Prerequisites: Junior Standing (57 semester hours completed))*

Professor Kimble A. Byrd	Fall 2006
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**COURSE OVERVIEW:** This course is designed for students who are interested in learning about the opportunities and threats that abound in the modern world of franchising. Franchising is pervasive in our economy. The practice spans virtually every retail and wholesale product category. The logic of this course is that franchising is one of the development models that minimize risk for the "small business" focused student. Some franchising oriented people may want to start a franchise and grow it rapidly. This option is often a first step into business ownership for inexperienced owners. We also discuss the applicability, opportunities, challenges and implementation of the franchising model for expanding existing businesses.

**COURSE METHODOLOGY:** The format consists of case study and lecture discussion sequenced with extensive background readings, occasional guest lecturers, and a term case-based project culminating in a transactional plan.

### TEXTS:

1. **How To Read A Financial Report – John Tracy 6<sup>th</sup> Edition 2004**  
ISBN 0-471-47867-9 John Wiley & Sons

2. **Franchising Pathway to Wealth Creation – Stephen Spinelli, Robert Rosenberg, Sue Birley, 2004 ISBN 0-13-009717-9 Financial Times - Prentice Hall**

3. **From Ice Cream to the Internet – Scott Shane, 1<sup>st</sup> Edition 2005**  
ISBN 0-13-149421-x Pearson - Prentice Hall

**TOOLS AND MATERIALS:** Resource materials that students may find useful to supplement the required textual materials including periodicals, research articles or scholarly works will be provided. An electronic analytical toolkit containing functional financial, accounting, marketing statistical tools and models is also available for reference purposes.

#### Accounting Tools

- > | [Double-Entry Accounting Workbook](#)
- > | [Financial Ratio Analysis](#)
- > | [Depreciation Calculator](#)

#### Finance Tools

- > | [Sustainable Growth Rate and DuPont Ratio Analysis](#)
- > | [Capital Asset Pricing Model](#)
- > | [Weighted Average Cost of Capital Valuation](#)
- > | [Adjusted Present Value Valuation](#)
- > | [Basic Terminal Value](#)
- > | [Comparison Valuation](#)
- > | [Venture Capital Method Valuation](#)
- > | [Employee Stock Option Calculator](#)

#### Marketing Tools

- > | [Break-Even Analysis](#)
  
- > | [Lifetime Customer Value Calculator](#)

### **COURSE PROJECT:**

#### **Franchisee Feasibility Study:**

- Be able to develop questions about franchise opportunities
- Evaluate yourself as a prospective franchisee.
- Investigate and compare franchises.

#### **Franchisor Business Plan**

- Complete a feasibility study of the franchise concept, resources to be utilized, and market sought
- Identify and draft the typical elements included in a franchising agreement
- Identify and articulate the services provided by a franchisor to a franchisee

**COURSE ORAL PRESENTATIONS:** Brief oral presentations of cased based projects will occur. In this, you should summarize the essential issues involved in the topic and discuss your strategic recommendations, which have been addressed in your written response.

**COURSE GROUPS:** Students will be formed into working groups at various points in the course in order facilitate peer learning through study of the materials and preparation for the class discussion.

**OUTCOMES ASSESSMENT:** At several points in the term, students will be asked to complete brief, in-class exercises designed to determine the extent to which course objectives are being achieved. The results of these exercises will be used in a continuing process of course development and improvement.

## **ESSENTIAL SKILLS TO BE LEARNED/EXTENDED**

All courses in the COB have been designed to impart or extend specific skills, and to convey knowledge organized around several integrative themes. We hope to assist students in acquiring a valuable set of skills that will serve them well as managers. Three areas are priorities in this course:

**Analytical Skills:** Critical analysis of case materials and suggestion of appropriate decision strategies are an essential part of the course.

**Analytical skills include:** connecting events and actions by developing broader models, discovering assumptions and ideological positions, mapping the intricate links among organizations and social groups, learning to draw conclusions and make recommendations based on evidence and analysis.

### **Communications (Oral & Written)**

**Oral presentation skills include:** in-class responses to topical queries on an individual basis. speaking publicly, extemporaneously and with prepared text, for informational and advocacy purposes, logical organization, illustrative examples materials, understanding the difference between written and spoken received English, presenting professionally, engaging the audience, imparting a complex message in limited time.

**Written preparation skills include:** organizing material effectively, writing a coherent document, condensing information into usable form, and packaging the information in a professional manner.

**Statistical Data Analysis:** In analyzing case situations, background research is a necessary component of considering a broad spectrum of perspectives.

**Research skills include:** finding resources, tracking down leads, learning to interview effectively, understanding the uses of statistics and other evidence, scanning massive volumes for relevant data, and comfortable competency with statistical electronic databases.

## **COURSE OBJECTIVES**

- Learn about the historical development of franchising.
- Become able to distinguish between various types of franchising.
- Learn what is involved in choosing a franchise.
- Learn the seven steps for franchise protection before investing in a franchise.
- Understand what should be included in the disclosure document.
- Be able to identify the typical elements included in a franchising agreement.
- Understand the financing requirements of a franchisee.
- Be able to distinguish among available financing methods, including franchisor, family banks, and outside funding agencies.
- Develop an understanding of how to prepare a financial package for a loan application.
- Learn about the four stages of Franchising
- Understand the advantages and disadvantages of franchise advisory councils (FAC's)
- Understand some of the principal areas of concern to franchisees in the franchising program.

- Understanding the importance of advertising, pricing, and profits for the franchisee.
- Learn about the contractual duties and responsibilities of a franchisee.
- Identify and understand essentials of management process in a franchised business.
- Understand what it meant by a franchisor business plan.
- Understanding the services provided by a franchisor to a franchisee.
- Recognize the importance of an effective communication system to the franchisor-franchisee relationship.
- Recognize the value of franchisor training and what it generally entails.
- Learn about the measuring and reporting of the financial information of a franchisee.
- Develop an understanding of the purpose, components, and use of the three key financial statements: income statements, balance sheet, and cash flow statement.
- Learn about five primary types of financial ratios and what they measure.
- Develop an understanding of the importance of financial statements analysis for planning and control within a franchised business.
- Identify and understand the elements of a franchise recruitment package.
- Learn about the elements essential for a franchise operations package.
- Understand how the site selection process fits into an overall growth plan for a multi- unit franchised business.
- Understand how the difference in types of businesses can influence location and site selection decisions.
- Learn an approach to allocating franchises within a geographic area and for selecting specific sites within those areas.
- Learn about strategic planning in franchising through examining the marketing function and activities.
- Understand franchisor management practices and their importance to a franchisor.
- Understand the importance of quality and quality controls in franchises.
- Learn about franchise advisory councils and how they operate.

### **BEHAVIORAL OBJECTIVES**

By the conclusion of the course, students will be able to:

1. Understand how the franchising concept has been applied in various retail businesses.
2. Evaluate themselves as a prospective franchisee.
3. Investigate and compare franchises.
4. Identify the typical elements included in a franchising agreement
5. Understand the contractual duties and responsibilities of a franchisee.
6. Understand the measuring and reporting of the financial information of a franchisee.
7. Distinguish how the difference in types of businesses can influence location and site selection decisions.
8. Understand the functions of franchisor management in a franchise system.
9. Understand strategic planning in franchising through examining the market function and activities.
10. Understand franchise advisory councils and how they operate

## COURSE SCHEDULE

DATE	TOPIC	READINGS
September 6	<b>INTRODUCTION TO THE HISTORICAL DEVELOPMENT OF FRANCHISING</b>	<ul style="list-style-type: none"> <li>• FPWC Pgs. 1-50               <ul style="list-style-type: none"> <li>◦ <a href="#">Course Notes</a></li> </ul> </li> </ul>
11/13	<b>RECOGNIZING FRANCHISING OPPORTUNITIES</b>	<ul style="list-style-type: none"> <li>• FPWC Pgs. <a href="#">Course Notes</a></li> <li>• Internet Links               <ul style="list-style-type: none"> <li>◦</li> </ul> </li> </ul>
18/20	<b>INVESTIGATING FRANCHISING OPPORTUNITIES</b>	<ul style="list-style-type: none"> <li>• FPWC Pgs. 51-76</li> <li>• <a href="#">Course Notes</a> <ul style="list-style-type: none"> <li>◦ Internet Links</li> </ul> </li> </ul>
25/27	<b>US FRANCHISE LAWS</b>	<ul style="list-style-type: none"> <li>• FPWC Pgs. 171-192</li> <li>• <a href="#">Course Notes</a></li> <li>• Internet Links</li> </ul>
2/4	<b>FINANCING YOUR FRANCHISED BUSINESS</b>	<ul style="list-style-type: none"> <li>• FPWC Pgs. 133-154</li> <li>• <a href="#">Course Notes</a></li> <li>• HOW Pgs. 1-26</li> </ul>
October 9	<b>PROJECT REVIEW SESSIONS</b>	
		<ul style="list-style-type: none"> <li>•</li> </ul>

11/16	<b>THE FRANCHISING RELATIONSHIP: MANAGING AND SUPPORTING MANAGING THE FRANCHISE BUSINESS</b>	<ul style="list-style-type: none"> <li>• FPWC Pgs. 93-132</li> <li>• <a href="#">Course Notes</a></li> <li>• HOW Pgs. 27-46</li> </ul>
18	<b>ACCOUNTING AND FINANCIAL STATEMENTS: PRESENTATION AND USES</b>	<ul style="list-style-type: none"> <li>• FPWC Pgs. 209-222</li> <li>• <a href="#">Course Notes</a></li> <li>• HOW Pgs.77-84</li> </ul>
23/25	<b>MIDTERM INDIVIDUAL FEASIBILITY PRESENTATIONS</b>	
October 25/30	<b>DECIDING WHETHER TO BECOME A FRANCHISOR: RIGHT PLAN, RIGHT TIME, RIGHT PLACE?</b>	<ul style="list-style-type: none"> <li>• ICI Pgs. 1-66</li> <li>• <a href="#">Course Notes</a></li> <li>• Internet Links</li> </ul>
November 2/6/8	<b>FRANCHISOR MANAGEMENT AND ORGANIZATION</b>	<ul style="list-style-type: none"> <li>• ICI Pgs. 67-104</li> <li>• <a href="#">Course Notes</a></li> </ul>
13/15	<b>SELLING FRANCHISES, LOCATION AND SITE SELECTION</b>	<ul style="list-style-type: none"> <li>• ICI Pgs. 123-140</li> <li>• <a href="#">Course Notes</a></li> </ul>
20	<b>MARKETING RESEARCH AND THE FRANCHISE MARKETING PROCESS</b>	<ul style="list-style-type: none"> <li>• ICI Pgs. 141-174</li> </ul> <a href="#">Course Notes</a>
22	<b>PROJECT REVIEW SESSIONS</b>	<ul style="list-style-type: none"> <li>•</li> </ul>

27/29	<b>FRANCHISOR SUPPORT SERVICES: FRANCHISE MANAGEMENT, ORGANIZATION, AND ADMINISTRATION POLICY</b>	<ul style="list-style-type: none"> <li>• ICI Pgs. 175-188</li> <li>• <a href="#">Course Notes</a></li> <li>• Internet Links <ul style="list-style-type: none"> <li>◦</li> </ul> </li> </ul>
December 4/6	<b>MANAGING THE FRANCHISOR'S OPERATIONS PROCESS</b>	<ul style="list-style-type: none"> <li>• ICI Pgs. 189-211</li> <li>• <a href="#">Course Notes</a></li> </ul> <p style="text-align: center;">Internet Links</p>
11	<b>PROJECT REVIEW SESSIONS</b>	
13	<b>FINAL EXAMINATION</b>	
18	<b>GROUP PRESENTATIONS</b>	

Please note that because of the complex nature of scheduling guest speakers during class time, the schedule outline above is tentative. Changes may need to be made from time-to-time in order to accommodate these individuals since they maintain extremely busy schedules that generally require extensive travel. Announcements of changes will be made in class if advanced notice permits; otherwise, announcements will be made via e-mail.

#### **COURSE ASSESSMENT:**

Though the professor will retain discretion in assigning a grade, each student will be graded based upon the following scale:

Franchisee Feasibility Study	20%
Feasibility Presentation	10%
Final Examination	20%
Class Participation	30%
Franchisor Business Plan	10%
Final Presentation	10%

#### **STUDENT LEARNING DISABILITY ACCOMMODATION POLICY**

Your academic success is important. If you have a documented disability that may have an impact upon your work in this class, please contact me. Students must provide documentation of their disability to the Academic Success Center in order to receive official University services and accommodations. The Academic Success Center can be reached at 856-256-4234. The Center is located on the 3rd floor of Savitz Hall. The staff is available to answer questions

regarding accommodations or assist you in your pursuit of accommodations. We all look forward to working with you to meet your learning goals.

### **CONFIDENTIALITY POLICY**

Throughout the Entrepreneurship Program's classes and events, students will be exposed to proprietary information from other students, guest lecturers, and faculty. It is the policy of the Entrepreneurship Program that all information is to be treated as confidential.

By enrolling in and taking part in the Entrepreneurship Program's classes and activities, students agree not to disclose this information to any third parties without specific written permission from students, guest lecturers, or faculty, as applicable. Students further agree not to utilize any such proprietary information for their own personal commercial advantage or for the commercial advantage of any third party.

In addition, students agree that any legal consulting advice provided without direct fee and in an academic setting will not be relied upon without enlisted opinion of an outside attorney or consultant, without affiliation to the program.

The Entrepreneurship Program, the College of Business, and Rowan University disclaim any responsibility for the protection of intellectual property of students, guest's lecturers, or faculty who involved in Entrepreneur Program classes or events.

Receipt of this policy and registration in our classes in our classes is evidence that you understand this policy and abide by it. Any breach of this policy may subject to academic integrity proceedings.

### **ACADEMIC HONESTY POLICY\***

*The vitality of any academic program is rooted in its integrity. It is essential to Rowan University that the grades awarded to students only reflect their own individual efforts and achievements. Each segment of the academic community, i.e., faculty, students and administration, are responsible for the academic integrity of the university. Academic dishonesty, in any form, will not be tolerated. Students who are found to have engaged in acts of academic dishonesty may be subject to failure for the course and suspension from the University. \*For further information on this Policy, please consult the Schedule of Courses under "General Information. "*



## **COURSE WITHDRAWAL POLICY\***

**DURING DROP/ADD:** Courses can be dropped by completing the Drop/Add form which will be turned in to the Office of the Registrar. Any course dropped during the Drop/Add period will not be recorded on the permanent record.

**BETWEEN DROP/ADD AND MID-TERM:** A Withdrawal Request Form must be secured from the Office of the Registrar. The reason for the request may be stated on the form and must be signed by the student and the professor, with the last date of attendance indicated. Upon receipt of the form, the Registrar's Office will enter a W on the student transcript.

**AFTER MID-TERM:** The same process as #2 will prevail except that the reason must be stated and approval obtained from the professor and the respective department chairperson. If the professor approves the withdrawal, he/she will indicate that the student is either withdrawing with a passing academic standing (WP) or withdrawing with academic failure (WF) and also provide the last date of attendance.

**DURING THE LAST FOUR WEEKS:** Withdrawal must be considered exceptional and may occur only with the approval of the professor, department chairperson and college dean and only for good and sufficient reasons beyond the control of the student. (WP/WF remains in effect, as does the last date of attendance.)

### **GRADES/GPA EQUIVALENTS**

A = 4.0 93 – 100, A- = 3.7 90 – 92, B+ = 3.3 88 – 89, B = 3.0 83 – 87, B- = 2.7 80 – 82, C+ = 2.3 78 – 79, C = 2.0 73 – 77, C- = 1.7 70 – 72, D+ = 1.3 68 – 69, D = 1.0 63 – 67, D- = 0.7 60 - 62

**REPEATING A COURSE:** In the event that a student must or voluntarily chooses to repeat a course, the grade received for the repeated course will constitute the final grade for that subject for cumulative GPA purposes-whether the grade is higher or lower than the grade received in the original course. The original grade, although not counted in the cumulative GPA, remains on the student's transcript. Herein, the University stipulates that the same course may not be taken more than twice including withdrawals.

### **NOTES/INSTRUCTIONS/REMINDERS**



