

FRANCHISE vs LICENSE

LICENSE

A License is an official permission to do something.

FRANCHISE

A Franchise is an agreement for you to exploit and profit from their patents, copyrights, business model, business relationships, name recognition etc.

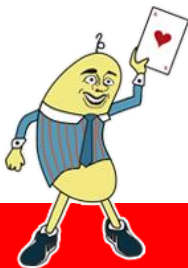


While franchising is a recognised legal term in the sense that it subjects parties to certain rules and regulations, licensing does not come with these issues, but it is necessary to be careful as licensing can also be considered a franchise from a legal standpoint.

In franchising, the franchisee and franchisor are very closely linked and generally have better working relationships. The franchisee retains the rights to the franchisor's logo and trademark. This goes a long way in providing a visible presentation of the relationship between the two. Franchisees are often an extension of the parent company in that they represent the parent company's brand and image. Therefore, they are usually provided some level of training and support. Also, they can leverage some amount of territorial exclusivity in addition to control over the products and services offered.

The relationship between a licensee and the parent company is not as tight knit. This is because a licensee does not hold the rights to the trademark and logo of the parent company's brand. Also, the licensee is expected to create its own niche and identity in the market. Another key difference is in the fact that licensees do not get to have territorial rights from the parent company which means that licensing organisations get to sell similar licenses and products in the same geographical area. Licensees do not receive the same extent of support and training as compared to a franchisee.

Even though a licensing opportunity seems to be less advantageous as compared to a franchising business, licensing has its advantages as well. One advantage is that licensing costs less in terms of the initial investment and ongoing charges. A franchising business may require you to pay royalty every time a profit is made, a licensing opportunity does not demand such an expense. Also, once the licensee is able to successfully set up its business, the relationship between licensee and the parent company is restricted to the frequent purchase of products.



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