ARMANDO O. BARTOLOME

The Philippines' Franchise Guru

FRANCHISE TIPS

THE FRANCHISE AGREEMENT

The Franchise Agreement is the Heart of the Franchise business.
This document spells the detail relationship between the Franchisor and the Franchisee.
It is best practice for both parties to be able to understand the undertaking for a better harmonious relation.

HOW TO UNDERSTAND
THE FRANCHISE AGREEMENT

BEST PRACTICES

Franchisors will allow the Franchise Candidate to read for a period of no less than 10 days. In countries like United States, this is termed as a “cooling period.”
No contact will be allowed.
After 10 days, Franchisor meets the franchise candidate to clarify any questions.

Bottom Line: For parties to understand what each section refers

TRADEMARK

It signifies OWNERSHIP of the Brand

Before Franchising a Business, it is IMPERATIVE to have a complete registration with the Intellectual Property Office

Trademark covers WORD MARK and FIGURATIVE MARK

Trademark is an INTANGIBLE ASSET

TRADEMARK is granted for 10 years

But renewable

UNDERSTANDING FRANCHISING

Definition: Being In Business For Yourself But Not By Yourself

1. YOU INVEST
2. YOU MANAGE
3. YOU MAKE DECISIONS
4. YOU MARKET
5. YOU HIRE AND FIRE PEOPLE
6. YOU GET PROFITS

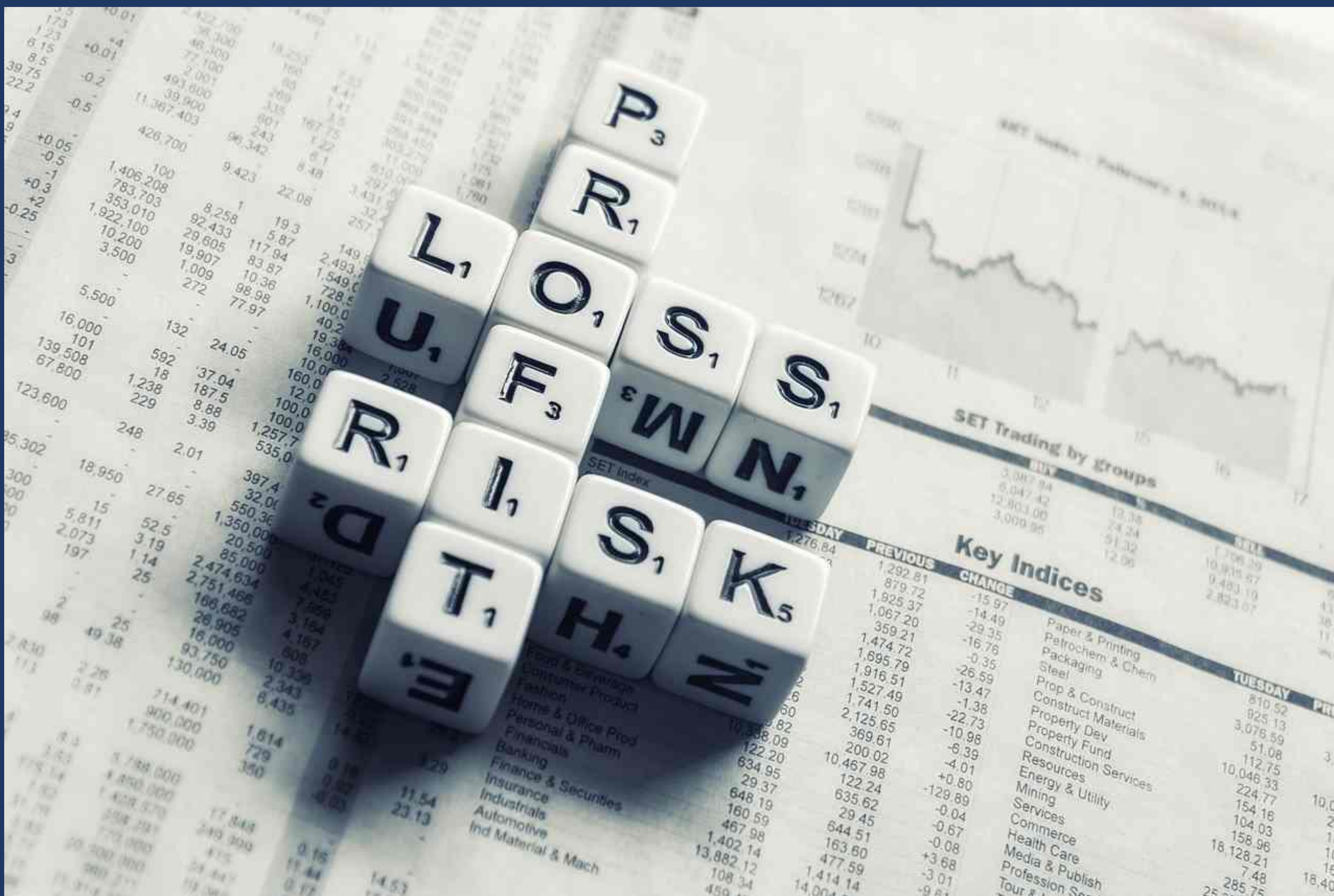
BUT UNDERSTAND
EXISTING BRAND
ABIDE BY STANDARDS
Follow the proven systems.
Consult and suggest!

CAUTION

BEWARE of Pseudo Franchisors Capitalize on “You Don’t Have To Work’ ‘this is a franchise and a sure success”

WALK AWAY and avoid pressure marketing gimmicks

EMPTY PROMISES
Be Vigilant on HOW franchisors or representatives deal on the initial stages



Franchising has Business Risks

High Success Rates 90%
Failures 10%
Being a Franchisee will not totally shield from Market forces around you
Franchising has risks
IMPORTANT to Note in the Franchise Agreement is CAVEAT EMPTOR .. franchisee signifies business risks, made independent study and not promised sales and success

FRANCHISING IS NOT FOR EVERYONE

1.People are not created equal.
2.Differences in Personalities, some are not meant to be franchisees
3.Creative and free spirits cannot be franchisees
4.Franchisees thrive in a box of set systems that should be followed
5.Some form but limited creativity; be creative in local marketing and subject for approval by franchisor
6.People who think they are far better than franchisor have no place in the franchise system

GIVENS in
Franchising

MINDSETS
Follow A Systems

It has withstood the test of time.

Following will achieve success.

Signing Your Name of the Franchise Agreement because YOU believe the Franchisor System

You can make Suggestions, but Franchisor may validate its effect on entire system

ACCEPT BRAND IS SUPERIOR

Having selected the BRAND among many

Acceptance of the BRAND

Stop from comparing with other Brands

Hands On Management

Ready to Spend Long hours in your branch.

You are given a Franchise since you know the local market to tap and generate sales.

Proud of your branch

Talk and network with customers.

You can do everything in the branch.

Set a good example to the employees

10 Ways to Create a Win-Win Scenario in Franchise Relations

1.Transparent Communication:
Open, honest, and regular communication is crucial. The franchisor should provide clear instructions, guidelines, and performance expectations, while the franchisee should communicate challenges, successes, and feedback.

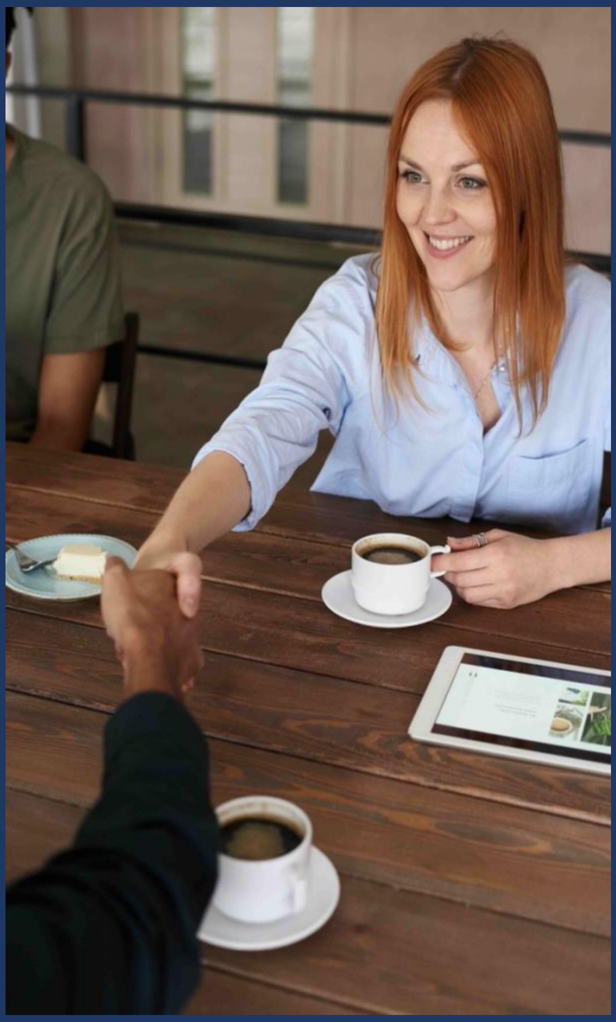
2. Mutual Respect:
Both parties need to respect each other's roles and contributions. Understanding the importance of each other's roles helps maintain a healthy relationship.

3. Shared Goals and Vision:
Aligning the franchisee's business goals with the franchisor's vision ensures that both parties work toward the same objectives, resulting in a win-win situation.

4. Continuous Training and Support:
The franchisor should provide ongoing training and support to help franchisees run their business effectively. This aids in maintaining brand standards and ensures franchisee success.

5. Fair Profit Sharing:
A reasonable and fair profit-sharing model ensures that both parties feel equitably compensated for their efforts, fostering a sense of partnership and collaboration.

6. Franchisee Autonomy:
While brand standards need to be maintained, allowing franchisees some autonomy to operate their business can lead to innovation and growth, benefiting both parties

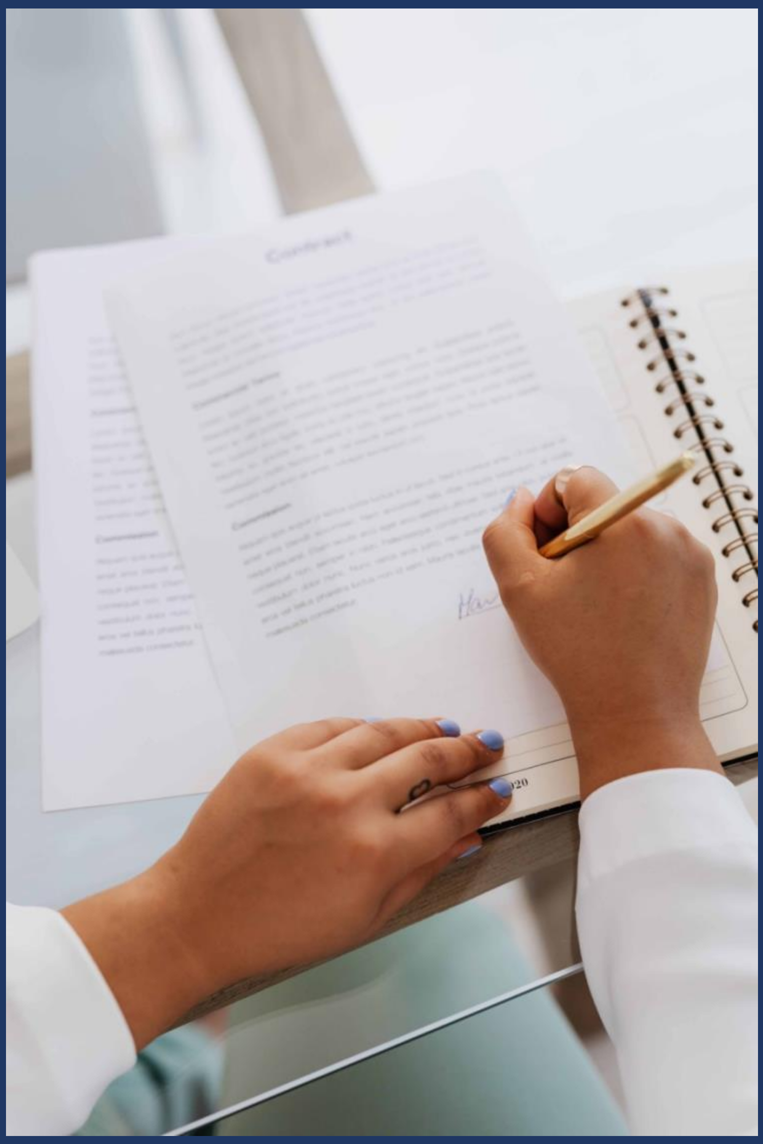


7. Active Participation:
Encourage franchisees to participate in decision-making processes where appropriate. Their front-line experience can provide valuable insights, leading to better decisions.

8. Conflict Resolution Mechanisms:
Establish clear procedures for addressing and resolving disputes. A swift, fair resolution process can prevent conflicts from escalating and damaging the relationship.

9. Recognize and Reward Performance:
Acknowledge franchisees who perform well. This not only motivates them but also encourages other franchisees to strive for similar success.

10. Adaptability:
The franchisor should be open to feedback and willing to adapt their strategies based on market trends and franchisee input. This flexibility can lead to mutual growth and profitability.



Tips to Identify a Legitimate and Worthwhile Franchise Business in the Philippines

1. Check Legal Documentation:
   Legitimate franchises in the Philippines should be registered with the Department of Trade and Industry (DTI) or Securities and Exchange Commission (SEC). Always ask for proof of registration and cross-check it with the respective authorities.

2. Review the Franchise Agreement:
   A comprehensive franchise agreement should outline all the terms and conditions between the franchisor and franchisee. If it's not detailed or is ambiguous, it might be a sign of a questionable business.

3. Meet with Existing Franchisees:
Connecting with existing franchisees can provide a real-world viewpoint on the franchise's operations, support, and profitability. Their experiences can give you valuable insights on how the business is run.

4. Assess Market Demand:
Before investing, ensure there's a strong market demand for the products or services offered by the franchise. Analyze the target demographics, competition, and market trends in the area you plan to operate.

5. Examine the Franchisor's Reputation:
Research the franchisor's reputation online and offline. Examine news articles, customer reviews, and social media platforms. A reputable franchisor should have a positive public image.

6. Meet Franchisor:
Set an appointment to personally meet the franchisor. Never a representative

7. Analyze the Initial Investment and Ongoing Costs:
A legitimate franchise will provide a clear breakdown of the initial investment, as well as any ongoing fees for royalty, marketing, etc. Make sure you understand all costs involved and that they are reasonable

8. Evaluate the Training and Support:
A good franchisor will provide training and ongoing support to help you succeed. If the franchisor fails to offer quality training or lacks a robust support system, it may not be worth your investment.

9. Consider the Franchise's Growth:
Look at the franchise’s growth over the years. A steadily expanding franchise indicates a successful and sustainable business model.

10. Check the Franchise Disclosure Document (FDD):
In some cases, franchisors provide a Franchise Disclosure Document containing detailed information about their business. It's a red flag if they refuse to provide this document or if the information in it is sketchy.

11. Visit and Observe:
The Branches at different times of the week

12. Get Expert Advice:
Lastly, consult with a franchise consultant or a legal expert to understand all aspects of the franchise agreement. Their expert opinion can help you make an informed investment decision.

Franchise Business Checklist

1. Research and Deciding on a Franchise

    [ ] Identify your interests and skills

    [ ] Research potential franchises that align with your interests and skills

    [ ] Shortlist the franchises that are within your budget

2. Initial Contact and Information Gathering

    [ ] Contact the franchisors of your shortlisted franchises

    [ ] Request for a Franchise Disclosure Document (FDD) from each franchisor

    [ ] Review FDDs and gather information about the franchises including their performance, fees, and required investments

3. Due Diligence

    [ ] Conduct an in-depth analysis of each franchise opportunity

    [ ] Contact current franchisees for insights and feedback

    [ ] Analyze the market and competition in your desired location

    [ ] Investigate the franchisor's financial stability

4. Business Planning

    [ ] Develop a detailed business plan for your preferred franchise

    [ ] Identify your funding sources

5. **Legal Review**

    [ ] Hire a franchise attorney to review the Franchise Agreement

    [ ] Discuss any concerns or unclear points with your attorney

6. Franchise Agreement

    [ ] Finalize the Franchise Agreement with the franchisor

    [ ] Pay the initial franchise fee

7. Location Selection and Lease Agreement

[ ] Choose a suitable location for your franchise

[ ] Negotiate and sign a lease agreement (if applicable)

8. Training and Support

[ ] Complete the franchisor's training program

[ ] Set up ongoing support with the franchisor (marketing, operational support, etc.)

9. Business Setup

[ ] Set up your business entity (Single, corporation, etc.)

[ ] Obtain necessary business licenses and permits

[ ] Purchase necessary equipment and supplies

10. Hiring and Training Staff

[ ] Hire necessary staff for your franchise

[ ] Train your staff according to franchisor's guidelines

11. Grand Opening

[ ] Plan and execute a grand opening

[ ] Begin operations