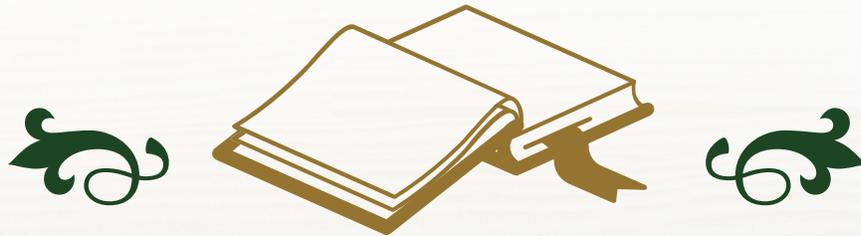
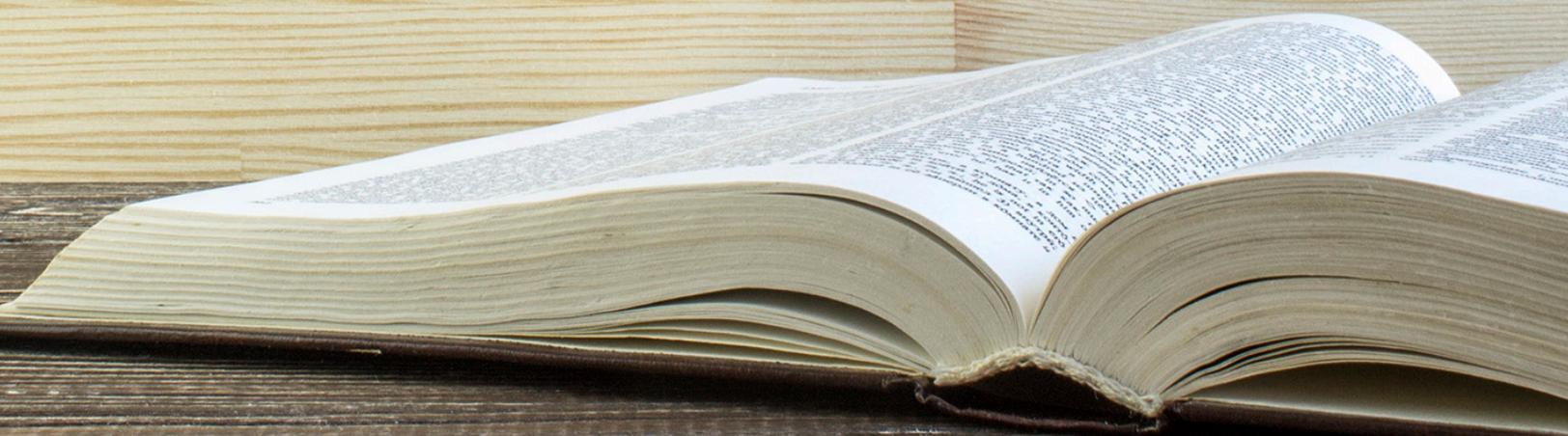


Prepared by:



The Franchise Jargon DICTIONARY



A magnifying glass with a black handle and frame is positioned over an open book. The book's pages are white and slightly aged, with a warm light emanating from the center where the pages meet. The background is dark and textured, possibly a bookshelf or a wall. The overall composition suggests a focus on research, learning, and attention to detail.

If you are toying with the idea of investing in a franchise, we applaud you! Taking the leap to own your own business and build something you can be proud of takes guts!

This is an exciting time filled with new ideas, goals, and opportunities, but it is also full of new terms that you may not have encountered before. Like most industries, franchising has its own jargon that industry insiders understand, so you will need to understand it as well.

This is by no means a comprehensive list of franchise terms, but it is a good start as you go through the process to own a franchise.



AREA DEVELOPER

Some franchisees will set up area developer agreements, in which the area developer agrees to open a predetermined number of franchises in a territory within a certain time period. Area developers may own and manage the units themselves or enlist other franchisees to open them.

FRANCHISE AGREEMENT

The final contract that business and the franchise owner both sign is called the franchise agreement. It outlines the responsibilities of each party, the money agreed on, and a host of other technicalities.

FRANCHISE FEE

To become a franchise owner, you will need to pay the franchise fee, which is the initial sum that is specified in the FDD. Each franchise brand handles the fee a little bit differently—some base the fee on territory size, experience, or other factors while others have a standard fee that all franchise owners must pay.

FRANCHISEE

Another name for franchise owner is franchisee. A franchisee has paid the fees and taken the training required to earn the right to operate a business under the franchisor's name.



FRANCHISOR

The company that sells the rights to its trademarks, products, and processes to individuals operating their own businesses under its name.

MASTER FRANCHISEE

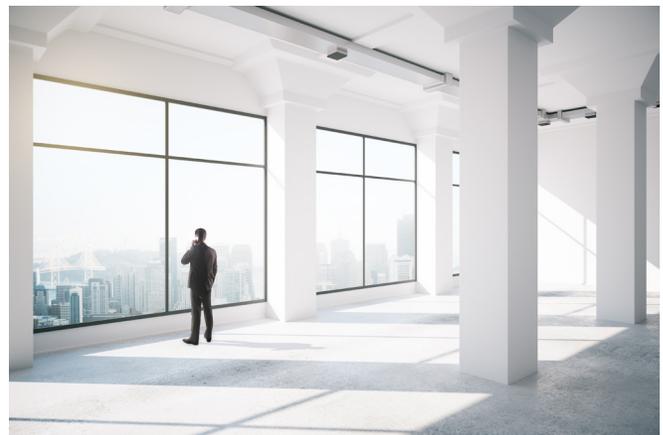
Some franchises allow master franchise licenses in certain territories. The way this works is the master franchisee works as a sort of subfranchisor—recruiting new franchise owners, issuing FDDs, providing support, and getting a portion of the royalties—in a large territory.

ROYALTIES

Nearly all franchisors require that their franchise owners pay fees, called royalties. These fees are typically a percentage of sales paid on a regular basis whether it is weekly, monthly, or yearly.

STARTUP COSTS

Also called the initial investment, the startup costs include your total investment to open the franchise. The startup costs are listed in Item 7 in the FDD and they include the franchise fee, real estate, equipment, inventory and supplies, insurance, business licenses, vehicles, and more.



We hope that this guide helps you as you research franchising. Taking this step in your career can be incredibly rewarding, and knowing the terms associated with franchising can make the process go more smoothly.

At Transworld, we are the experts in franchising, so contact us with any questions you have about franchising and our brand.



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