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**COLLEGE OF BUSINESS**

**Course:** Franchising: MBA 680-38 (Summer, 2017)

**Instructor** Denise M. Cumberland, Ph.D.  
Office: Porter Education Building (Room 338B)  
Office hours: By appointment  
Cell Phone: 502-609-3504  
E-mail: denise.cumberland@louisville.edu  
*Please note that email is the quickest way to get in touch with me. Unless otherwise noted, I will respond within 48 hours during the work week.*

**Meetings:** Friday July 28, Wed August 2, Friday August 4, Monday August 7, and Friday August 11 from 6:00 pm – 9:30 pm

**Room** College of Business, Room 226

**Websites** Blackboard: <https://blackboard.louisville.edu>

### **Course Purpose**

The work we do in this course is focused on the important aspects of starting and managing a franchise business either as a Franchisee or as a Franchisor. Specific attention is placed on the evaluation of franchising opportunities, the legal aspects of franchising, and the development of appropriate strategies for the successful planning, implementation, and launching of a new franchise business.

This course is designed to appeal to students who intend to work for a franchisor company, may consider buying a franchise, or developing and launching a franchised business as an entrepreneurial new venture.

### **Required Readings**

The texts/chapters we use in this course are free and found in the Course Documents section of Blackboard.

1. **ICFE Study Guide.** Chapters from this text are posted.
2. **Franchising: An Entrepreneur's Guide.** Chapters from this text are posted.
3. **How to Buy and Manage a Franchise.** Chapters from this text are posted.

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Below are a few of the optional resources provided on Blackboard that you may find helpful for your assignments:

4. **Introduction to Franchising.** This is a very short text published by the International Franchise Association and is an excellent basic introduction to the subject. This is only about 40 pages in total.
5. **Franchising Your Business.** While it applies almost exclusively to becoming a Franchisor, it is a good basic treatment of franchising in general.
6. <http://www.mcgraw.com/pdf/whatis.pdf>

### **Supplemental Reading**

Issues of publications such as Franchise Times, Franchise Update, Franchising World, Entrepreneur, Success, and Inc. magazines contiguous with the course are suggested readings. Many of these have on-line versions. The Wall Street Journal and USA Today also have interesting articles covering franchising.

### **Student Learning Objectives**

1. The history and importance of franchising to the U.S. and global economy.
2. Theoretical underpinnings of franchising.
3. The vocabulary of franchising.
4. An understanding of franchising from the perspective of both the Franchisor and Franchisee.
5. An understanding of basic franchise law.
6. How to identify, analyze, and execute practical managerial solutions to the problems and opportunities of acquiring a franchised business.
7. How to finance an individual franchise.
8. How entrepreneurs develop and grow franchisor firms.
9. How franchisors manage franchise organizations.
10. The dynamics of franchisee-franchisor relationship.
11. The franchise industry organizations that advocate for Franchisees and Franchisors.
12. An overview of International Franchising.
13. New trends in franchising and the outlook for franchising.

### **Course Format**

This class has three teaching/learning modules:

1. Understanding the basics of franchising.
2. Identifying and acquiring a new outlet in a franchise network (franchisee lens).
3. Developing, launching and growing a franchise company (franchisor lens).

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Course material will be presented through lectures, readings, websites, guest speakers and class discussions.

**Grading:**

Your grade will be based on the following activities:

<b>Assignments</b>	
<b>Pre Work* Assignment (due @ the start of Session #1)</b>	15%
<b>Quiz During Session 2 (during class)</b>	10%
<b>Team Presentation Session 3 (work is done in class and presented in class)</b>	20%
<b>Quiz During Session 4 (during class)</b>	10%
<b>Attendance / Participation (value of 2% for each Session)</b>	10%
<b>Final Project / Presentation (Due Friday, August 11<sup>th</sup>)</b>	35%
<b>TOTAL</b>	<b>100%</b>

\* Pre Work is located on Blackboard under Assignments.

\*\* Team Project is located on Blackboard under Assignments.

**Grading Scale:**

A+	98.00% or Higher
A	93.00 - 97.99%
A -	90.00 - 92.99%
B +	88.00 - 89.99%
B	83.00 - 87.99%
B -	80.00 - 82.99%
C+	78.00 - 79.99%
C	73.00 - 77.99%
C-	70.00 - 72.99%
F	<70

**Attendance / Participation**

Your attendance and participation is required and needed. We learn from one another and as professionals, you are expected to bring your knowledge and experiences to our discussions. There will be extensive reading required in this course, and each student is urged to stay current and come to class having read the assigned materials and complete any pre-work assignments. The instructor appreciates that each student has other responsibilities and obligations in addition to this class; however, it is imperative that each student assumes personal responsibility to assist in making this a fun and exciting course through his/her active participation. If you notify the instructor about an upcoming missed class you may be allowed to complete an extra credit assignment to avoid receiving a "0" for that session.

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Appendix A is the participation rubric. You are expected to grade yourself after each session. At our last session you will turn in this page. Fifty percent of your participation grade is based on your own assessment and 50% based on the instructor's perception.

**Other Expectations of Participants**

- Timeliness of Work. All work is expected to be on time, unless prior approval has been obtained. Assignments not completed or turned in late will result in *at least* a one letter-grade reduction, unless unusual circumstances arise. The participant is responsible to contact me in advance at [denise.cumberland@louisville.edu](mailto:denise.cumberland@louisville.edu) to make arrangements in these rare cases.
  
- Team Issues. Since this class consists of graduate students and adult professionals, I am confident that there will not be any team issues. So, each team member is expected to work through any problems that may arise. Additionally, each team member is expected to perform an equitable workload and to be accountable to other team members. In the unexpected event that a team cannot resolve problems independently, removal of an individual from a team is an option. In such case, documentation of problem resolution attempts should be shared with me. From that point, we will work through a process to resolve the problem.
  
- Formatting of Documents. **Please use 1.5 spacing of your Final Paper, with a font of Times New Roman 12.** All in-text citations and all references must meet general formatting standards of the American Psychological Association (2009). *Publication manual of the American Psychological Association* (6th ed.). Washington, D.C.: APA.

**Relevant Websites/Professional Organizations**

International Franchise Association (IFA): [www.franchise.org](http://www.franchise.org)

FranCorp: <http://francorp.com/>

American Franchisee Association: <http://www.franchisee.org/>

Franchise Update: <http://www.franchising.com/franchisors/>

The Franchise Handbook: <http://franchisehandbook.com/>

Franchise Times: <http://www.franchisetimes.com/>

American Association of Franchise Dealers: <https://www.aafd.org/>

World Of Franchising: <http://www.worldfranchising.com/>

<http://www.entrepreneur.com/franchise500/>

**University of Louisville student conduct and responsibilities**

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This course will abide by University of Louisville student conduct and responsibilities with regards to ethics and related issues:

<http://louisville.edu/dos/students/policies-procedures/student-handbook.html#codeofstudentconduct>

**College of Business student conduct and responsibilities**

This course will abide by College of Business student conduct and responsibilities with regards to ethics and related issues:

<http://business.louisville.edu/students/college-of-business-academic-dishonesty-policy>

**Policy on Instructional Modifications**

Students with disabilities who need reasonable modifications to complete assignments successfully and otherwise satisfy course criteria, are encouraged to meet with the instructor as early in the course as possible to identify and plan specific accommodations. Students will be asked to supply a letter from the Disability Resource Center to assist in planning modifications.

**Title IX/Clery Act Notification**

Sexual misconduct (sexual harassment, sexual assault, and any other nonconsensual behavior of a sexual nature) and sex discrimination violate University policies. Students experiencing such behavior may obtain confidential support from the PEACC Program 852-2663, Counseling Center 852-6585 and Campus Health Services 852-6479. To report sexual misconduct or sex discrimination, contact the Dean of Students (852-5787) or University of Louisville Police (852-6111).

Disclosure to University faculty or instructors of sexual misconduct, domestic violence, dating violence, or sex discrimination occurring on campus, in a University-sponsored program, or involving a campus visitor or University student or employee (whether current or former) is not confidential under Title IX. Faculty and instructors must forward such reports, including names and circumstances, to the University's Title IX officer.

For more information, see the Sexual Misconduct Resource Guide (<http://louisville.edu/hr/employeerelations/sexual-misconduct-brochure>).

**Information on Plagiarism/Academic Dishonesty**

I have no patience or tolerance for plagiarism or academic dishonesty. If you want to borrow someone else's words in paper, simply *quote the words* and *cite the work*. If you want to borrow someone else's ideas, *you must cite the work*. If you do not do this, it's plagiarism.

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*Plagiarism is representing the words or ideas of someone else as one's own. An academic unit that determines that a student is guilty of academic dishonesty may impose any academic punishment on the student that it sees fit, including suspension or expulsion from the academic unit.*

Please become familiar with Section 5 of the Code of Student Rights and Responsibilities:

<http://bit.ly/wBsp5e>

**Technology Expectations**

Continuing and regular use of e-mail is expected. You must be able to use Internet search tools, access Blackboard, download and print documents, and upload assignments. While most assignments will be submitted electronically in Blackboard, some assignments require you to deliver a hard copy.

**Final Drop Date.**

See: <http://louisville.edu/registrar/registration-information/>

Prepared By:

Original class prepared by Dr. Wayne Jones. Updated by Dr. Denise Cumberland and Dr. Kathleen Gosser, June 2017.

## Meeting Schedule and Topics

Prior to the first class, you have pre-assignments. Refer to the Blackboard site and be sure and review the tab called “Sessions” and the tab called “Assignments”.

### Session 1: Franchising Basics

- What is Franchising
- Key Terms in Franchising
- Types of franchising
- History of Franchising
- Franchising as an Entrepreneurial activity
- Advantages and Disadvantages
- Theories that Explain Franchising
- Franchising Growth

#### Required Reading:

- 1) CFE Book, Chapter 1
- 2) How to Buy and Manage a Franchise, Chapters 1 & 2

#### Optional Reading:

IFA: An Introduction to Franchising

### Session 2: Investigating and buying a franchised business (Franchisee Lens)

- Motivations for buying a franchise
- Does it fit your “lifestyle?”
- What the typical franchise offers: Brand, Format, Training, Design, Site Selection, Marketing, Financing, etc.
- Legal Documents: Franchise Agreement, Disclosure Document/FDD
- Investigating franchise opportunities
- Validating the concept and developing your business plan
- Financing your franchised business
- Exit strategy

#### Required Reading:

- 1) Franchising: An Entrepreneurs Guide, Chapters 13, 15, and 16

#### Optional Reading:

IFA – An Introduction to Franchising, Chapters 2, 3, & 4  
How to Buy and Manage a Franchise, Chapters 4&5

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**Session 3: Scaling a Business via Franchising (Part 1 – Franchisor Lens)**

1. Discovering a viable concept
2. The Entrepreneurship of Developing a Franchising Company
3. Key franchisor needs: Brand Name, Profit, Unit level Cash on Cash return and Documented Systems
4. Developing the Franchise Agreement and Franchise Disclosure Document/FDD
5. Detail review of Franchise Agreement
6. Managing Franchise Systems: Functions and Challenges.

**Required Reading:**

- 1) Franchising: An Entrepreneurs Guide, Chapters 3 & 4

**Optional Reading:**

Franchising Your Business: Chapters 3, 4, 5, 6 & 7

**Session 4: Scaling a Business via Franchising (Part 2 – Franchisor Lens)**

1. Strategy Development: Initial Financing, IPO considerations
2. The Cost of Franchising
3. Developing Franchise Support Systems: Supply, Marketing, etc.
4. Operations Manual
5. Selling Franchises
6. Selecting the Right Franchisees.
7. Dangers of Fast Growth.
8. Growing the Concept versus Growing the Franchise System

**Required Reading:**

- 1) Franchising: An Entrepreneurs Guide, Chapter 11
- 2) CFE Study Guide: Chapter 10

**Optional Reading:**

Franchising Your Business: Chapters 9, 10 & 11

**Session 5: The Franchisor-Franchisee Relationship & International Franchising**

1. Differing Goals of Franchisors and Franchisees
2. Franchise Associations: The good, the bad and the ugly
3. New Franchising Systems
4. International Franchising
5. Five Habits of Successful Franchisors

**Required Reading:**

- 1) Franchising: An Entrepreneurs Guide, Pages on FACs and Chapter 22

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**FINAL PAPER DELIVERABLE:**

Please use 1.5 spacing of your Final Paper, with a font of Times New Roman 12.  
Upload to Blackboard (select appropriate option) by **Friday, August 11<sup>th</sup> by 9:59 pm**.  
Be sure and review Grading Rubric

***BUYING A FRANCHISE***

You will choose a business that you believe would be a viable option for investment as a franchisee. You will discuss all the elements to investigate and consider in this future endeavor. Below are the sections and requirements. Answer the following questions **in the order specified below**.

1. ***Introduction:*** Start your paper by providing a brief description of the franchisor company including its history, growth record (unit growth-past five years), and how many units (company and franchise) the franchisor currently operates. Discuss the reasons why this franchise has been successful, using facts (be sure and cite) and your personal assumptions.
2. Why does this opportunity fit your life-style and financial goals? You will need to seek advice about this opportunity – who would be on your list of advisors and why?
3. Cost analysis - what would be your:
  - Franchise fee?
  - Other on-going fees?
  - Initial cash investment: Show a **detailed list** of the following:
    1. Franchise Fee
    2. FF&E (Furniture, Fixtures and Equipment) and other costs
    3. Soft costs such as legal, accounting, design, opening inventory, various deposits-utility, lease, insurance, etc.
    4. Include your pre-opening expenses (i.e., hiring costs, advertising costs for employees, etc.)
    5. Include the amount you plan to take from the business as your salary the first year of operation.
  - Real estate cost - would you lease or buy? Why?
  - Other out of pocket first-year costs

**The above list will be a list of all the cost items required to open the business. It becomes the total cash amount to be invested in opening the**

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**business. (Be sure to report this) Later you will use this number to compute your cash-on-cash financial return.**

4. How would you finance the business? For the purpose of this project, assume you put in twenty percent of the total amount needed in cash and borrowed the rest. Discuss how you would fund your cash contribution. Assume you borrow the balance of the money for five years at 8%.
5. Ownership: what type of entity would you choose? Why would you choose this type of entity? Would you have partners/investors? If so, what kind of partners/investors and why? If you have investors/partners, what financial return could they expect each year?
6. Where would you open (what city)? Why do you feel there is sufficient market demand for this business in that city? Be sure to cite your sources.
7. What type of consumer and/or market research would you conduct to validate the potential demand for the product/service? Be specific in your answer; just saying you would do “market research” is not a sufficient answer.
8. What expectations do you have regarding the relationship with this franchisor? What do you know about the franchisor support / relationship with other franchisees in the system? What (if any) type of advisory council / board does this franchisor offer? Should you join the system how would you ensure a good relationship with the franchisor?
9. What would be your exit strategy?
10. Lastly, write a conclusion as to whether or not you would really open this franchise. Be sure and detail the reasons why you would or why you would not.

***Note: the success of your paper will be determined by how well you address each of the above points/questions as well as the organization and clarity of the paper.***

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**Appendix A: Participation Rubric:** You will be expected to submit this page on the last night of class. Your own self assessment is worth 50% of your participation grade.

	Session 1	Session 2	Session 3	Session 4	Session 5
I attended / was on time (0 – 10 points). <b>Note:</b> If you do not attend, all elements below are also 0.					
I read all of the material prior to our session (0 - 40 points)					
During the main discussion times, I provided insights to my classmates or posed questions (0 – 20 points)					
During the small group activity, I contributed to the discussion (0 to 20 points)					
During our session, I did NOT use other technology (e.g. texting; surfing; etc.). (0 to 10 points).					
<b>TOTAL POINTS</b>					

**Appendix B: Grading Rubric for Final Project**

	<b>Exceeds Standards</b>	<b>Meets Standards</b>	<b>Needs Improvement</b>
<b>Introduction and Networking (Q1 &amp; Q2)</b> <b>(20 possible points)</b>	<b>10 Points</b> Introduction provides <i>excellent, succinct synopsis</i> of franchise choice (with all required information), rationale for pursuit of this franchise, and excellent ideas for networking advice.	<b>8-9 Points</b> Introduction provides a <i>succinct synopsis of franchise choice (with all required information)</i> , but does not use the short space as succinctly as it could be used. Networking list is adequate.	<b>0-7 Points</b> Introduction <i>does not adequately convey answers to all questions about franchise opportunity and/or solid rationale</i> for pursuing with little depth in identifying networks to tap.
<b>Cost Analysis / Finance Review (Q3, Q4, &amp; Q5)</b> <b>(20 possible points)</b>	<b>23-25 Points</b> Contains an <i>exceptionally clear, and detailed</i> list of fees and exceptional discussion of how franchise would be financed and choice of ownership path.	<b>21-22 Points</b> Contains a <i>generally clear and detailed</i> list of fees and well reasoned discussion of how franchise would be financed and choice of ownership path.	<b>0-20 Points</b> <i>Lacks clarity, precision, or detail</i> in explaining the cost analysis and/or how franchise would be financed or ownership choice.
<b>Location and Marketing (Q6 + Q7)</b> <b>(15 possible points)</b>	<b>23-25 Points</b> <i>An exceptional justification for location and in depth thinking on how to approach marketing research.</i>	<b>21-22 Points</b> A thorough plan <i>accurately justifies</i> the location and adequately describes market research approach.	<b>0-20 Points</b> <i>Inaccurately justifies (or fails to justify)</i> the location and / or has weak discussion of research plan.

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<b>Relationship (Q8)</b> (15 possible points)	<b>10 Points</b>	<b>8-9 Points</b>	<b>0-8 Points</b>
<b>Exit Strategy (Q9)</b> (10 possible points)	<b>10 Points</b> Well explored and explained exit strategy.	<b>8-9 Points</b> Exit strategy is adequately explored.	<b>0-8 Points</b> The exit strategy is <i>not adequately reviewed</i> .
<b>Conclusion / Writing (Q10)</b> (10 possible points)	<b>10 Points</b> Well thought out conclusion with adequate depth to close the paper. Writing demonstrates high quality thinking. No or few mistakes in grammar, punctuation, word usage, sentence structure present. Organization is appropriate for the assignment.	<b>8-9 Points</b> Sufficient points made the decision and paper concludes effectively. Writing demonstrates moderate quality thinking. Five to 10 mistakes in grammar, punctuation, word usage, or sentence structure.	<b>0-8 Points</b> The conclusion lacks decisiveness and /or ends abruptly. Writing demonstrates lower quality thinking. More than 10 mistakes in grammar, punctuation, word usage, or sentence structure.
<b>Summary Writing/APA Format</b> (10 possible points)	<b>10 Points</b> Summary fully provides an overview of the issue, application to the company, and top recommendation. Writing demonstrates high quality thinking	<b>8-9 Points</b> Summary provides a brief summary of the issue, application to the company, and a recommendation, but lacks depth. Writing demonstrates moderate quality	<b>0-8 Points</b> Summary is brief with missing elements. Writing demonstrates lower quality thinking. More than 10 mistakes in grammar, punctuation, word

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	and detail in organization. No or few mistakes in grammar, punctuation, word usage, sentence structure present. Organization is sequential and appropriate for the assignment.	thinking. Five to 10 mistakes in grammar, punctuation, word usage, sentence structure, and APA style in headings, citations, references are present.	usage, sentence structure, and APA style in headings, citations, references are found. Writing not the student's own is not cited or cited incorrectly.
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