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BUSINESS EXPANSION STRATEGIES

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BUSINESS EXPANSION STRATEGIES

WHAT ARE THEY? - THEIR ADVANTAGES AND DISADVANTAGES

When a company desires to expand its outlets of distribution (not just increase sales at existing units), there are many possible business expansion strategies that can be implemented to expand the business network. Each strategy should be examined, and the advantages and disadvantages explored, to determine which is the best method for you. Please keep in mind that these strategies are not mutually exclusive. That is, you can use more than one method within your network. There is also the ability to have vertical integration of all or portions of the manufacture through retail sales channel (the "Value Chain").

The possible business expansion strategies, which I will discuss, are:

A. Company-Owned Expansion;

B. Joint Ventures and Partnerships;

C. Independent Sales Representatives;

D. Licensing;

E. Distributorships/Dealerships;

F. Business Opportunities (Seller - Assisted Marketing Plans); and

G. Franchising.

While you may be predisposed towards a certain expansion plan (for example, "I want to franchise my business."), this may or may not be the best expansion method. You need to take one step backwards to determine: (i) where are you currently?: (ii) where do you want to go?; and (iii) what is the best way to accomplish your objectives? You should focus on the following business issues:

- What is your **present financial condition**?
- What are the **capital requirements** for the expansion program?
- How **fast** does you want to expand?
- What type of **controls** do you want to exert over the additional units?
- What type of **flexibility** do you want to have?
- What are the **labor** considerations?
- Is the **trade name** important?
- How do you plan to increase **brand awareness**?
- What are the **vicarious liability** issues?
- What are the **tax consequences?**
- What is the financial impact of any **failures?**
- What is the **regulatory environment**?

A. **COMPANY-OWNED EXPANSION**.

1. **Definition.** One of the most common expansion methods is through company-owned outlets and branch offices. Their definition is self-evident. The company begins with a principal office and expands through a network of company-owned units and branch offices using its own capital and employees.

2. **Advantages of Company-Owned Expansion**

☺ **Control over manager and employees** - absent a written employment agreement, the manager, assistant managers and other employees are "employees at will" and are subject to your direction over all aspects of their employment. You can terminate them "at-will."

☺ **Control over all aspects of the business** - you have complete control over all aspects of the business, including operations, quality control, product specifications, installation, training, advertising, warranty policy, etc.

☺ **Control over customer's prices and territory** - you have a right to choose the customers with whom you do business, the prices at which you may sell your products and services and the territories in which you do business.

☺ **Flexibility over all aspects of the business** - with control, you also have the flexibility to change any of the aspects of business and implement such changes immediately and not subject to any contractual restrictions which may exist with dealers or franchisees.

☺ **Fewer regulatory problems** - you will not be subject to the franchise registration and disclosure laws or any franchise relationship laws, business opportunity sales laws, or any dealer relationship or dealer termination laws.

☺ **Market penetration** - you can grow as quickly or as slowly as you want subject to your depth of management and the amount of capital you have or can obtain.

3. **Disadvantages of Company-Owned Expansion**

◙ **Heavy capital outlay** - in opening company-owned units you will be using your own capital and/or borrowing ability rather than using the capital of others, such as dealers, business opportunity purchasers or franchisees. This may impede your ability to grow as fast as you desire. You may have to divert capital from other projects such as research and development. The time and expense of obtaining additional capital can be great. This results in interest expenses or giving up a piece of the company.

◙ **Negative covenants** - there may be restrictions imposed by third parties, such as by lenders in loan agreements limiting capital expenditures, thereby limiting your growth.

◙ **Company managers not as dedicated** - company managers are usually not as dedicated as owner/operators as there is less incentive for them to go the extra mile in customer service, stay open for that last customer (the "Cinderella Syndrome") or be involved in the community.

◙ **Liability for acts of manager and employees** - under the legal theories of employer/employee, master/servant and *respondeat superior*, you may be liable for the acts of your manager and employees in the course of their employment for any damages to property or persons.

◙ **Employee salary, benefits and reporting burdens** - since these individuals are your employees, you will be responsible for their salary, benefits, withholding tax, FICA, FUTA, workers' compensation insurance, etc. Such benefits, particularly health insurance, are becoming a significant dollar amount above base compensation. Further, the existing top-heavy rules for employee benefits may expand in the future, preventing disproportionate benefits to senior employees on a consolidated group of companies basis (proposed § 89 IRC, no repealed).

◙ **Employee turnover and lack of cohesion** - company managers turn over greater than owner/operators (*e.g.*, dealers and franchisees) who have an investment at stake.

◙ **Labor supply problems** - you will be responsible for maintaining an adequate labor force rather than having this shifted to a dealer or a franchisee.

◙ **Qualifications to do business in other states** - the opening of a company-owned unit in another state may constitute "doing business" in that state and therefore require you to qualify to do business in that state, whereas, your services to a dealer or franchisee may not be sufficient to constitute "doing business" and qualification may not be required. Qualification to do business entails filing of papers to qualify, annual reports and payment of filing fees and taxes.

◙ **State and local taxation** - if you are "doing business" in a state, you may be subject to that state's income taxes and other taxes.

◙ **Property owner liability** - as the owner of the units you may be responsible for injury or damages to third parties that occur on the premises.

◙ **Failures have a direct financial impact** - the failure of a company-owned unit will have a more direct adverse financial impact on you than the failure of a dealer or franchisee because of your greater capital investment in the unit.

B. JOINT VENTURES AND PARTNERSHIPS

1. **Definition.** A partnership is an association of two or more persons to carry on a business for profit as co-owners. A joint venture is a partnership organized to carry out a limited or specific purpose. Sometimes there are two companies involved at the same or at different levels of the Value Chain (*e.g.*, capital/labor; manufacturer/retailer) whereby there may exist certain synergies in working together either as a joint venture or as a partnership. I assume for purposes of this paper that the joint venture and partnership would open company-owned units. There is no reason why the joint venture or partnership couldn't develop another strategy such as franchising.

2. **Advantages of Joint Ventures and Partnerships**

☺ **Fewer regulatory issues** - a "true" general partnership is exempt from the application of the FTC Franchise Rule. Care should be taken not to develop some hybrid partnership to circumvent the application of the FTC Franchise Rule. Need to take money on profits - not up front. A limited partnership is subject to the FTC Franchise Rule.

☺ **Control (uniformity and quality)** - you will have a great deal of control over the operation of the units, but subject to the opinion of the other joint venturer or partner.

☺ **Flexibility over operations** - you will have flexibility over all aspects of the operation including pricing, product mix, territories, termination of managers and employees, etc.

☺ **No employee salary, tax and reporting burdens** - if handled by the other joint venturer or partner.

☺ **No labor supply problems** - if handled by the other joint venturer or partner.

☺ **Improved outlet management from decentralized management** - if handled by the other joint venturer or partner.

☺ **Increased market penetration** - by using the ideas and/or capital of the other joint venturer or partner.

☺ **Concerted, concentrated effort to better trademark value** - a new name created and backed by both joint ventures or partners may be better than each one independently attempting to better each other's own trademark.

☺ **Synergies** - there may exist possible synergies between the joint venturers or partners such as combining manufacturing skills with marketing skills.

3. Disadvantages to Joint Ventures and Partnerships.

◙ **Moderate to heavy capital requirement** - if the joint venture or partnership expands through opening its own company-owned units, the capital and borrowing ability of the joint venture or partnership must be utilized.

◙ **Managers not as dedicated** - as a general rule, employee/managers are not as dedicated as owner/operators.

◙ **Joint and several liability** - joint venturers and partners have joint and several liability for the actions of the joint venture or partnership and the actions of the other joint venturers or partners acting within the scope of the joint venture or partnership.

◙ **Dealings with other joint venturers or partners** - you will now have another person whose input and consent may be required to take action.

◙ **Dissolution and transferability problems** - a joint venture or partnership dissolves upon the death, bankruptcy or dissolution of any of the joint venturers or partners. Furthermore, the interests in the joint venture or partnership are not easily or readily transferable.

◙ **Doing business** - the joint venture or partnership may be considered "doing business" in any state where it has units and therefore may have to qualify to do business in such state.

◙ **State and local tax issues** - if the joint venture or partnership is doing business in a state it may be subject to state and local taxation in such state.

◙ **No up-front revenues** - generally, a joint venturer or partner receives no up-front revenues (merely a percentage of profits) unlike initial franchise or license fees. (Still should analyze the bottom line).

◙ **Property owner liability** - the joint venture or partnership would have property owner liability (joint and several) arising out of any property it owns.

◙ **Failures have a direct financial impact** - failures of a unit would have a direct financial impact on the joint venture or partnership because of the capital invested in such unit.

C. INDEPENDENT SALES REPRESENTATIVES

1. **Definition.** An independent sales representative makes sales and performs other sales services on behalf of a manufacturer (principal) in return for a commission or other fee. It is an agency relationship.

2. **Advantages of Independent Sale Representatives.**

☺ **Reduced sales staff** - a manufacturer has a reduced sales staff when it uses independent contractors rather than employees.

☺ **No employee salary, tax, and reporting problems** - an independent sales representative is an independent contractor. Commission payments to representatives are not subject to withholding taxes, etc.

☺ **Fewer regulatory issues** - not subject to FTC Franchise Rule or state franchise laws but may have contractual rights as well as certain state Sales Representative laws.

☺ **Failures do not have a direct financial impact** - lose sales but can replace salesmen.

3. **Disadvantages of Independent Sales Representatives.**

◙ **Agency liability** - a principal is liable for the actions of its agents. Less supervisory controls over an independent sales agent than over an employee.

◙ **Potential tax problem** - always uncertain if sales agent is a true independent contractor or employee for tax purposes.

◙ **Less trademark value** - an independent sales representative does business under it own name, not that of the manufacturer. May also not have an exclusive sales relationship and the agent may sell your competitor's products.

D. **LICENSING**.

1. **Definition.** A license is the right of a person ("licensee") to use, for the payment of a fee and/or royalty, a patent, trademark, trade name, service mark or copyright owned by another ("licensor") in connection with the manufacture and/or sale of a product or rendition of a service.

2. **Advantages of Licensing**.

☺ **Lower capital outlay** - expansion through licensing allows the capital of licensees to be used to finance expansion.

☺ **Fewer regulatory issues than franchising** - a "true" license is not subject to the FTC Franchise Rule or state franchise or business opportunity laws.

☺ **Revenues from license royalties and fees** - you may be able to negotiate to receive initial license fees and on-going royalties for the license.

☺ **Certain limited controls over licensee** - a licensor has certain limited controls over a licensee to "police" its trademark and give promotional assistance (but no significant operational assistance or control).

☺ **Smaller staff requirements** - a licensor's staff will necessarily be smaller than in the company-owned expansion context or the franchise context as the support, service and supervisory roles are significantly limited.

☺ **Shared advertising expenses** - the licensor and its licensees can develop coordinated and cooperative marketing and advertising programs.

☺ **Increased market penetration; enhancement of trademark value** - using the capital of licensees, you are able to expand faster and greater than if solely company-owned expansion is used.

☺ **Dedication of licensees** - as a general rule, a licensee, being an owner/operator, will be more dedicated than an employee/manager.

☺ **Failures do not have a direct financial impact** - while a licensee's failure will result in loss of royalties and market penetration, the loss is not as significant than if it were a company-owned unit where more capital would have been invested.

3. **Disadvantages of Licensing**.

◙ **Inadequate controls** - the limited controls which a licensor can exercise over a licensee are inadequate to ensure uniformity within the network possibly creating inconsistent experiences by customers and, hence, customer dissatisfaction.

◙ **Twilight zone** - there is a twilight zone between licensing and franchising - substantial control and/or assistance risks violation of the FTC Franchise Rule and state franchise laws.

◙ **Hard-sell to prospective licensees** - there is a reluctance of people to join your client as licensees because of the minimal assistance from the licensor (value-added?).

◙ **Smaller fees and royalties** - the fees and royalties a licensor can command are not as great as a franchisor can charge due to fewer services and support a licensor can render (but less costs as well, so bottom line needs to be looked at).

◙ **State law issues** - even a "true" license must be closely examined against state franchise and business opportunities laws to avoid inadvertent non-compliance as certain of the laws have a broader definition of "franchise" or "business opportunity" than contained in the FTC Franchise Rule.

◙ **Monitoring Issues** - a licensor must monitor a licensee to make sure the licensees' use of the licensed mark is consistent with the licensor's operation.

◙ **Renewal and termination problems** - a license is normally not an "at-will" relationship and the licensee has contractual rights under the license agreement restricting the licensor's ability to terminate or not renew the relationship.

E. DISTRIBUTORSHIPS/DEALERSHIPS

1. Definitions. A distributorship/dealership is a marketing format whereby independent business persons take on certain wholesale ("distributor") and retail ("dealer") marketing, advertising, inventory, selling and/or servicing functions of a manufacturer to better promote and sell such manufacturer's products. A distributorship is generally characterized as a business relationship in which a distributor has the right to distribute products of a manufacturer or manufacturers. The distributor may carry a single line or multiple lines of one or more manufacturers who may be in competition with one another. A dealership is similar to a distributorship. The difference is that a dealership often obtains its products from a distributor rather than a manufacturer, and resells to the public from a retail outlet rather than to other dealers from a wholesale outlet. These descriptions are somewhat simplified; in practice, elements of distributorships and dealerships may be combined in a business relationship. Further, these labels are often used interchangeably. In this paper I will refer to both arrangements as dealerships.

2. **Advantages of Dealerships.**

☺ **Lower capital outlay** - the capital requirements of a manufacturer will be lower than required in the company-owned expansion format since certain capital costs and operating expenses associated with marketing, advertising, inventory (*e.g.*, warehousing), selling and servicing functions are incurred by the dealer rather than the manufacturer.

☺ **Fewer regulatory issues than franchising** - a properly-structured distributorship/dealership is not subject to the FTC Franchise Rule or state franchise laws or state business opportunity laws. However, many states have dealership relationship and termination laws.

☺ **Increased market penetration** - the creation of a dealer network allows more people in more places to sell your products or services and perhaps allows faster penetration than company-owned expansion.

☺ **Certain advertising expenses can be shared** - it is possible to create certain collective advertising efforts contributed to by the dealer and the manufacturer for regional and national advertising as well as require the dealer to undertake some local advertising obligations.

☺ **Failures do not have a direct financial impact** - the failure of a dealer, while having an indirect adverse financial impact involving loss of sales, does not have as a direct financial impact as the failure of a company-owned unit.

3. **Disadvantages of Dealerships.**

◙ **Little control after product is sold** - the Federal antitrust laws prohibit a manufacturer from controlling the prices at which the products are sold. You can only "recommend" prices ("M.S.R.P."). In addition, other horizontal restraints on customers, territories, tied products, etc. may be considered "unreasonable" restrictions and may also violate the antitrust laws. While you can control product quality and product specifications if you control the fabrication process, if this is delegated to a dealer you may lose control. In addition, you have less control over the installation process.

◙ **Less trademark value** - a dealer, while selling your trademarked product or service marked service, operates under its own name, which does not include your trade name unlike a licensee, franchisee or company-owned unit. In fact, you must expressly prohibit the dealer from using your name or risk application of the franchise laws. You may lose some of the "marquee" value your name may possess.

◙ **May be construed as an employee or a franchisee** - depending on the controls the manufacturer exerts over a dealer, the dealer may be considered an employee for federal income tax purposes or for employer/employee liability or vicarious liability purposes, or perhaps as a franchisee and thereby violate the franchise disclosure and registration laws.

◙ **Renewal and termination problems** - a dealer contract is unlike an employment-at-will situation and the dealer may have certain rights under its dealer agreement. In addition, there are state dealership laws which may restrict the ability to terminate a dealer or not renew the dealership.

◙ **No fees and royalties** - generally, a manufacturer's profit comes from the mark-up on the products sold to the dealer and does not receive initial fees or on-going royalties from the dealer. Therefore, there is less incentive for the manufacturer to render assistance and support to the dealer than a franchise situation resulting in a less cohesive network.

◙ **No sales or marketing program** - if the manufacturer provides a sales or marketing program, it may be considered a business opportunity seller. The lack of a sales or marketing program may impair the overall sales effort.

◙ **Sale of competitors' products or services** - unless an exclusive dealership arrangement is entered into, a dealer usually has other lines and sells other products or services which may be in competition with your client's product or service. You never know if the dealer is receiving incentives to favor your competitors' products over products.

F. BUSINESS OPPORTUNITIES (SELLER ASSISTED MARKETING PLANS)

1. **Definitions.** A "business opportunity" means the sale or lease of any products, equipment, supplies, or services which are sold to a purchaser to enable to purchaser to start a business for which the purchaser is required to pay an initial fee or sum of money which exceeds $500 to the seller, and in which the seller represents:

(a) That the seller will provide locations or assist the purchaser in finding locations for the use or operation of vending machines, racks, display cases, or other similar devices or currency-operated amusement machines or devices on premises neither owned nor leased by the purchaser or seller;

(b) That, if applicable, the seller will purchase any or all products made, produced, fabricated, grown, bred or modified by the purchaser using in whole or in part the supplies, services, or chattels sold to the purchaser;

(c) That the seller guarantees in writing that the purchaser will derive income from the business opportunity which exceeds the price paid for the business opportunity or that the seller will refund all or part of the price paid for the business opportunity or repurchase any of the products, equipment, supplies, or chattels supplied by the seller if the purchaser is unsatisfied with the business opportunity; or

(d) That the seller will provide a sales program or marketing program which will enable the purchaser to derive income from the business opportunity, except that this paragraph shall not apply to the sale of a marketing program made in conjunction with the licensing of a registered trademark or service mark.

"Business opportunity" does not include the sale of ongoing businesses when the owner of those businesses sells and intends to sell only those business opportunities so long as those business opportunities to be sold are no more than five in number; nor does it include the not-for-profit sale of sales demonstration equipment, materials, or samples for a total price of $500 or any sales training course offered by the seller the cost of which does not exceed $500; nor does it include the sale or lease of laundry and dry cleaning equipment.

2. **Advantages of Business Opportunities.**

☺ **Control** - a business opportunity seller can exercise some control over the purchaser but usually does not have as detailed contractual provisions or an operations manual like franchising because of the lack of the use of a common trade name.

☺ **Assistance** - a business opportunity seller provides some sort of assistance beyond that provided by a dealer such as site location, "buy-back;" guarantee, or sales or marketing program - but not as much assistance as a franchisor.

☺ **Fees and Profit** - a business opportunity will be able to charge an initial fee and make profit on the initial and on-going sales of products or services to the business opportunity purchaser.

☺ **<u>Self-motivated operators</u>** - as a general rule, an owner/operator is more dedicated to the operation than an employee/manager, which should foster good will and increase per-unit revenues.

☺ **<u>No employee salary, tax and reporting burdens</u>** - these obligations are shifted to the business opportunity purchaser, who is an independent contractor and its employees are not the employees of the business opportunity seller.

☺ **<u>No labor supply problems</u>** - these are shifted to the business opportunity purchaser but the business opportunity seller has to worry and become involved if problems become system-wide.

☺ **<u>No direct liability for business opportunity purchaser's actions</u>** - the business opportunity purchaser is considered an independent contractor and the business opportunity seller is generally not responsible for the business opportunity purchaser's actions or that of the business or that of the business opportunity purchaser's employees.

☺ **<u>No qualification as foreign corporation</u>** - a business opportunity seller may not be considered "doing business" in a state in which it operates through business opportunity buyers.

☺ **<u>No state and local tax issues</u>** - where the franchisor is not doing business it may not be subject to such taxation.

☺ **<u>Failures do not have direct financial impact</u>** - while a business opportunity purchaser's failure will result in loss of income and market penetration, the loss is not as significant than if it were a company-owned unit where more capital would have been invested.

3. **<u>Disadvantages of Business Opportunities</u>.**

◙ **<u>Cost</u>** - capital will needed to develop a viable business opportunity concept and an adequate staff to sell and service business opportunity purchasers in addition to the costs associated with preparing disclosure documents, state registration, on-going updates and renewals.

◙ **<u>Regularly issues</u>** - business opportunity sales are heavily regulated both at the federal level and at the state level with 25 business opportunity registration states.

◙ **<u>Monitoring issues</u>** - you have to monitor your sales people, monitor the operation of your system for uniformity and quality control, monitor your business opportunity purchasers, etc.

◙ **<u>Increased staff to promote business opportunity sales and monitor and support business opportunity system</u>** - such as sales personnel, compliance personnel and field representatives.

◙ **<u>Financial statements</u>** - financial statements become public.

◙ **Renewal and termination problems** - not an employee-at-will situation, subject to the rights under the business opportunity sales agreement and as afforded by state law.

G. FRANCHISING

1. **Definition.** A franchise is a business format where a person ("franchisee") is granted, for the payment of fees and/or royalties, the right to engage in business under a common marketing and operating plan ("system") developed by another ("franchisor") including a license of the franchisor's trademark, service mark, trade name, logo or other commercial symbol and the franchisor having substantial control over the franchisee and/or renders substantial assistance to the franchisee.

2. **Advantages of Franchising.**

☺ **Control (uniformity and quality)** - on a spectrum of control, franchising is closer to a company-owned unit than a dealership. (See the "Control Spectrum" at the end of this paper.) While the franchisor cannot control the day-to-day operations of the franchisee, such as hiring and firing, pricing, etc., a great deal of control can be exerted through provisions in the franchise agreement and the operations manual in order to maintain uniformity and quality control of the product and/or service. A franchisor adopts product specifications and an approved supplier procedure to maintain quality control. A franchisor's operations manual addresses operational issues leading to efficiency and customer satisfaction. In a product format franchise, you should be able to require a franchisee to deal only in your approved products.

☺ **Franchise fees and royalties** - a franchisor will be able to charge an initial franchise fee and royalties for the franchisee's right to use the franchisor's trade name and system as well as for the on-going services and support rendered by the franchisor. The franchisee is buying the franchisor's expertise and learning curve.

☺ **Lower capital outlay** - the cost of opening a new unit is shifted to the franchisee who shall make the requisite capital investment for land, building, improvements, equipment, furniture, furnishings, inventory, supplies, working capital, etc.

☺ **Self-motivated operators** - as a general rule, an owner/operator is more dedicated to the operation than an employee/manager, which should foster good will and increase per-unit revenues.

☺ **Attractive sales opportunities to help expansion** - there are a number of individuals who "want to be in business for themselves but not by themselves" and want to associate themselves with a national or regional system recognizing the economies of scale and collective advertising, purchasing, insurance, etc. as well as the fact that only 2% to 4% of franchisees of a **proven** franchise concept fail whereas 65% of new businesses fail within the first three years of operation.

☺ **No employee salary, tax and reporting burdens** - these obligations are shifted to the franchisee, who is an independent contractor and its employees are not the employees of the franchisor.

☺ **No labor supply problems** - these are shifted to the franchisee but the franchisor has to worry and become involved if problems become system-wide.

☺ **No inventory control/purchasing burdens** - these are shifted to the franchisee but the franchisor has to worry and become involved if problems become system-wide.

☺ **No direct liability for franchisee's actions** - a franchisee is considered an independent contractor and the franchisor is generally not responsible for the franchisee's actions or that of the franchisee's employees.

☺ **Quick market penetration** - franchising is considered the best format to expand quickly.

☺ **Concerted, concentrated effort to enhance trademark value** - the collective efforts of the franchisor, its company-owned units and franchisees enhance the franchisor's trademark.

☺ **No qualification as foreign corporation** - a franchisor may not be considered "doing business" in a state in which it operates through franchisees.

☺ **No state and local tax issues** - where the franchisor is not doing business it may not be subject to such taxation.

☺ **Failures do not have direct financial impact** - while a franchisee's failure will result in loss of royalties and market penetration, the loss is not as significant than if it were a company-owned unit where more capital would have been invested.

3. **Disadvantages of Franchising.**

◙ **Cost** - capital will needed to develop a viable franchise concept and an adequate staff to sell and service franchises in addition to the costs associated with preparing franchise documents, state registration, on-going updates and renewals as well as audited financial statements from an independent certified public accountant.

◙ **Regulatory issues** - franchising is heavily regulated both at the Federal level and at the state level with 15 Franchise Filing States.

◙ **Monitoring issues** - you have to monitor your franchise sales people, monitor the operation of your franchise system for uniformity and quality control, monitor your franchisees to report revenues accurately, etc.

◙ **Increased staff to promote franchise sales and monitor and support franchise system** - such as franchise sales personnel, compliance personnel and field representatives.

◙ **Audited financial statements** - last three years of operation and all future years.

◙ **Renewal and termination problems** - not an employee-at-will situation, subject to the rights under the franchise agreement and as afforded by state law.

"CONTROL" SPECTRUM

The following spectrum illustrates the relative control a person can exert over its product or service depending on the type of business expansion strategy utilized:

No Control ↓ Total Control ↓

↑ ↑ ↑ ↑ ↑ ↑

Sale of Business	"True" License	Distributorship/ Dealership	Business Opportunity/ Seller Assisted Marketing Plan	Franchising	Company-Owned Units

I trust that this gives you sufficient information to assist you in determining the advantages and disadvantages of each possible course of action and which is best for you at this juncture. Once a course of action is selected the program can be refined. Again, please keep in mind that these courses of action are not mutually exclusive. In fact, in many networks a combination of formats are used such as a "dual distribution" system, which is a combination of company-owned units and franchised units or where a manufacturer also owns wholesale and/or retail outlets.

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