

PREFACE TO THE THIRD EDITION

It is hard to believe that nearly 15 years have passed since the publication of the first edition of *Franchising & Licensing* in 1991. The impact of technology and globalization has had a permanent effect on the dynamics of the franchise relationship. When the manuscript was being written for the first edition in the late 1980s, I could not have envisioned the many changes in the evolution of today's franchise relationships that can be managed or the diversity in the number of industries and companies that would pursue franchising as their primary growth strategy. It has been an honor to work with companies launching franchising programs in dozens of different industries and at various stages of growth, ranging from start-up to Fortune 500 companies.

At the time of this writing, global events and geopolitical concerns are overshadowing and restraining some of the many successes that the franchising community has enjoyed since the publication of the second edition. We are in the middle of war with Iraq, we now live with the threat of terror attacks against our homeland following the events of September 11, 2001, our economy is as weak as it has been in over 10 years, and oil and energy prices are on the rise, making the cost of growing a business very high. In tough economic times, the development of creative strategies to leverage your intellectual capital becomes especially important.

How have these conditions and events affected franchising and the overall growth of a company?

- ❑ From the franchisor's perspective, the weak capital markets have limited access to the resources needed for more organic or traditional growth strategies, thereby making franchising the strategy of choice to accomplish growth objectives and brand-building.
- ❑ From the franchisee's perspective, more families in a post-9/11 environment (and with job losses averaging 300,000 per month) want to take greater control over their own destiny and are pursuing many different types of franchised opportunities as a way of owning their own business.

- The threats of domestic terrorism, coupled with a very strong residential real estate market, has fueled the growth of many different types of home improvement and home services franchisors as Americans invest more money in making their homes safer and more comfortable. This trend has *not* helped the hospitality and restaurant industries, unless carry-out or home delivery services are offered.
- Fears of terrorism at home and abroad have also slowed the pace a bit of international franchising expansion (although the number of attendees and exhibitions at the 2003 International Franchise Expo in Washington, D.C., in April were just as strong as prior years). These fears have had an impact on franchise systems in the travel, hotel, car rental, and related industries.
- The ease of access to technology as well as a desire to avoid the hassles (and fears) of going to a shopping mall have fueled an increase in on-line sales of products and services, forcing franchising systems to offer sites that facilitate e-commerce as well as create a balance for sharing the upside of these new sales and customers with the franchisees in their systems. The improvements in Internet technology and travel/logistics concerns have also changed the ways in which franchisees are being recruited and data gathered. The impact of the Internet on franchise sales (as well as the legal implications thereof) are discussed in new sections of Chapters 6 and 10 of this third edition.

And yet, as volatile as the world and global and domestic economy have been since the publication of the second edition, franchising has remained relatively stable. Each year, hundreds of new companies launch franchising programs for the first time and tens of thousands of families invest in the first franchised business as the first step in their journey toward achieving the American dream. Even with all of the new technology and all of the new developments, franchising is, and always will be, about mutual commitment, trust, fairness, and communication in a uniquely interdependent relationship that has helped fuel our economy for nearly 100 years.

The factors discussed above help explain the rationale for the new subtitle to *Franchising & Licensing*: “Two Powerful Ways to Grow Your Business in any Economy.” History has shown that the leveraging of intellectual capital can be an effective and capital-efficient way to perpetrate business growth whether economic conditions are weak or strong. Companies of all sizes and in many different industries are realizing that their intangible assets can be a source of new revenue and profit centers that can also bring greater control and predictability and loyalty to their distribution channels. The critical importance of adopting this more strategic perspective to the management and leveraging of intellectual capital is discussed in greater detail in the new chapters of this third edition.

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