

CASE STUDY # 3

Restaurant on Franchisee model

My friend is a restaurant Owner and he has established restaurants in northern part of Maharashtra. He owns couple of restaurant and has acquired proficiency in successfully running the restaurant. The restaurants have become a brand and attracting a large crowds.

It was becoming difficult to manage 4 restaurants at a given time and was not able to devote enough time to each restaurant. The restaurant staff was also experiencing the same and it was felt that if such things continue it may affect the business.

There are two ways to give the restaurants to a third party: a) appointing a manager to run a restaurant and pay a fixed salary to the restaurant manager and earn profit or b) Give a franchisee of restaurant and get the royalty for the restaurant?

When a prospective franchisee was identified, a franchisee agreement was prepared for giving the franchisee of the restaurant.

While giving the franchisee of the restaurant, protecting the name of the restaurant, specially designed look, the special menu, needs to be protected which is sort of intellectual property of the restaurant.

At the same time, a special care was taken so that, the franchisee shall not use sub-lease and rent and use the property for taking loan or any other purpose is other than running the restaurant on franchisee model.

A creative menu and ambiance had made the restaurant popular. Maintaining the reputation of the restaurant was far more important, as till these years, the reputation was fetching the customers to restaurant. All these aspects were taken care while preparing the franchisee agreement.

The statutory permissions and compliances need to be adhered by new person who will run the restaurant.

Finally the franchisee royalty was agreed by the new franchisee and the arrangement was finally agreed. Getting benefit from his hard work in establishing the restaurant, over the years.

With the franchisee running successfully, my friend was finally got sufficient time to devote to his other outlets, at the same time the revenue did not shrink.

Soon the model will be repeated in other cities as well.



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Let's not lose business advantage on negotiation table