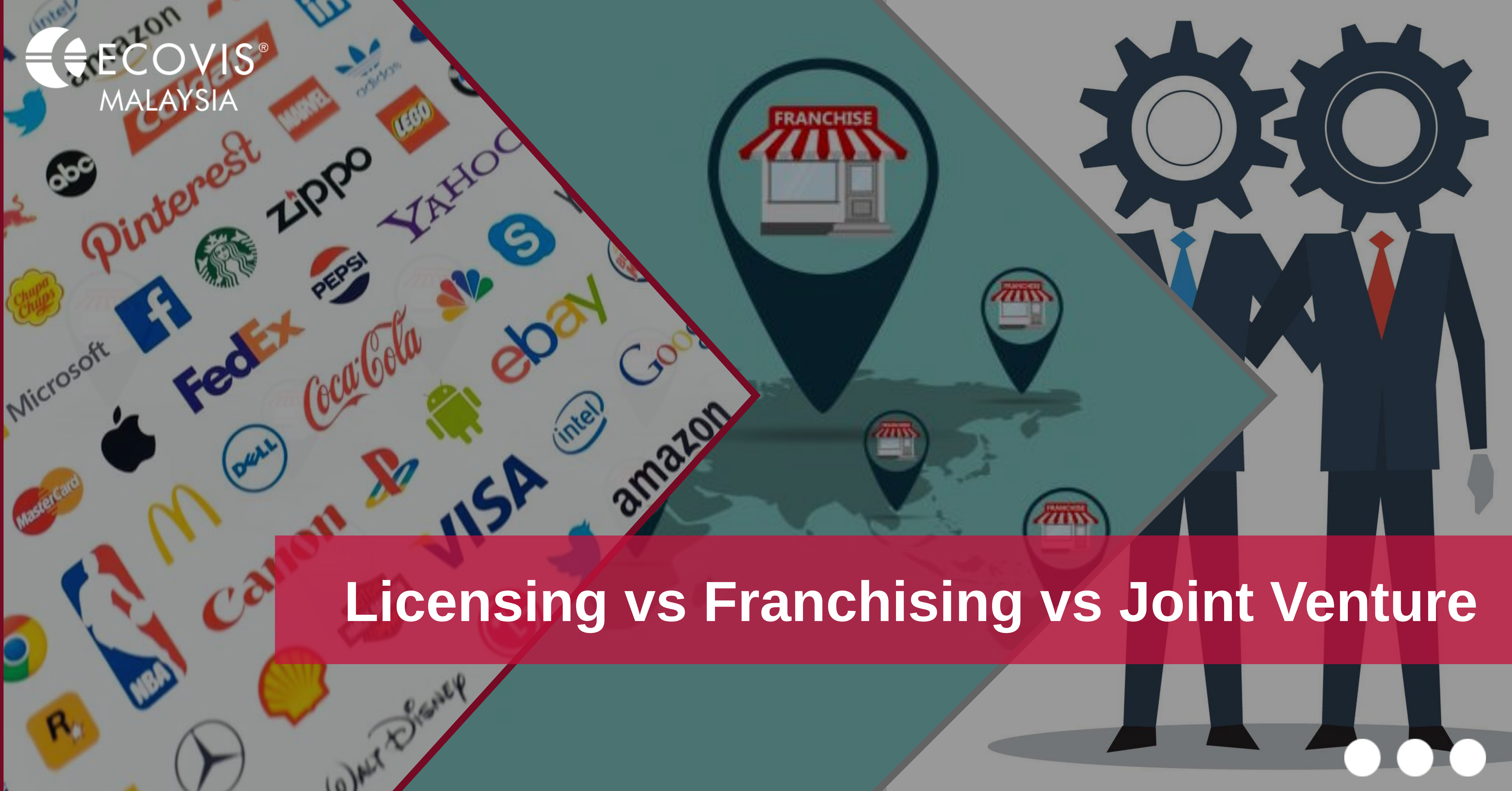

Licensing vs Franchising vs Joint Venture



Basis	Licensing	Franchising	Joint Venture
Definition	Licensing is an arrangement in which a company (licensor) sells the right to use IP* or produce a company's product to the licensee, for royalty.	Franchising is an arrangement in which the franchisor permits franchisee to use their business model or brand name for a fee to conduct business, as an independent branch of the parent company (franchisor).	A joint venture is an agreement that 2 companies will provide resources to each other or assist each other for a certain period of time and payment.
Governed by	Contract laws between parties	Franchise Act 1998	Joint Venture Agreement
Registration	Not necessary	Mandatory	-

**IP = Intellectual Property*

Training & Support	Not provided	Mandatory	-
Process	Involves one-time transfer of property or rights	Requires on-going assistance from franchiser	-
Use of trademark / logo	Can be licensed	Logo and trademark retained by franchisor and used by franchisee	-
Control	Licensor does not have control over licensee	Franchisor exercises control over franchisee	-
Example	• Microsoft Office • Walt Disney’s Characters • Marvel Entertainment • Ferrari Logo	• The Chicken Rice Shop • Daily Fresh • Old Town White Coffee • Focus Point • McDonalds • Subway • 7-11 • Dunkin Donuts • KFC • Domino’s Pizza	• Proton and Geely • Mazda Malaysia Sdn. Bhd. *(Mazda Motor Corporation & Bermaz Motor Sdn. Bhd.)*

Advantages	• Licensor achieves vertical integration in the market without heavy capital investment • Enhances Brand value • Licensee gains access into market by relying on a strong brand and eliminates competition	• Franchisor gains access to a geographically diversified marketplace without compromising on brand value • Franchisee gets continual support from the franchisor to extend an already successful business	• Gain new insights and expertise • Access to better resources • Sharing of costs • Creates long lasting business relationships • Higher chances of success
Disadvantages	• Licensor does not have control over the ultimate use of its IP* rights	• Heavy initial investment by franchisee to meet the quality standards of the franchisor • Franchisee has low degree of autonomy over the operational matters of the business	• The objective of a joint venture is rarely 100% clear • Possibility of inequal involvement and responsibility • Clashes in culture and management style • Involves a lot of research and planning activities • Lacks clear communication

**IP = Intellectual Property*

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