

Other Income from building a franchise system : Insight from the franchisor

(Forum discussion group member of Waralaba dan Lisensi Indonesia)

Dede Suleman

Program Doctoral
Pascasarjana Universitas Mercubuana
Universitas Mercubuana
Jakarta, Indonesia
dedehaseghawa@gmail.com

Ahmad Hidayat Sutawidjaya

Program Doctoral
Pascasarjana Universitas Mercubuana
Universitas Mercubuana
Jakarta, Indonesia
suta.phd@gmail.com

Indra Kurniadi

Program Doctoral
Pascasarjana Universitas Mercubuana
Universitas Mercubuana
Jakarta, Indonesia
indra@phitagoras.co.id

Abstract

Franchise business system is the relationship between franchisor and franchisee . Franchisor is obliged to provide support and franchisee with the obligation to pay the fees. It provides a beginner's franchisor's picture of rights and obligations and understands the potential of growing a business with franchise system in its business. What are the potential revenue sources that can be obtained for the franchisor? The data for this study were collected through a group discussion of members (Franchise and Indonesian License) that focused on information about the potential income of the franchisor. The results show that apart from the self-owned business profits there are also other franchisors' revenue sources that can be fostered from their franchisee; other income is royalties, franchise fees, advertising costs, material purchases. In the findings of the discussion of the income was the largest percentage of revenue contributors from the purchase of raw materials by the franchisee to the head office or franchisor.

Keywords

Franchise, Royalty fee, franchise fee, marketing fee, purchase of raw materials

INTRODUCTION

Sources of business income, of course, generally only derived from the operating income itself. But along with the current development of many business owners who glance the franchise system / network as their business development strategy, in addition to acceleration factors can also be said that choosing to develop a business with the concept of franchising provides an opportunity to get other sources of income than the profit itself. Franchise is derived from the French word *affranchir* which means to free which means liberating, in terms of franchise therein contained the meaning that someone gives freedom from the bonds hinder to people to use or make or sell something (Khairandy, 2011)

There are some business owners who do not want to make the franchise business due to build a franchise system is complicated and not easy, it is related to making the system in the franchise need accuracy and accuracy so that in the process of duplication can realize the same outlet with the initial outlet and this can be done for some other outlets in different locations. The more detailed standard operating procedures, as well as the process of supervising and preparing the supply chain of materials and products that need to be considered that make some entrepreneurs feel unnecessary to implement the franchise system as their business development strategy. This happens because they do not realize that what potential can be gained in developing a franchise business consists of various sources of income that can only be obtained when they can create a franchise system and operate the franchise system in their business. Franchising is one strategy for companies to grow their business in Indonesia is 698 franchisors with a total of 24,400 outlets consisting of 63% local franchisor and 37% foreign franchisors, with turnover reaching 172 trillion rupiah (Director General of Domestic Trade Ministry of Trade Indonesia, 2016) Franchisor providing control to maintain integrity and the consistency of a brand franchisee seeking entrepreneurial autonomy (Kidwell et al., 2007). Franchise or so-called franchise term is one way of doing business cooperation between 2 (two) people or more companies where 1 (one) party acts as franchisor and other party as franchisee where in it regulated that the franchisor party as the owner of a brand of know - how is famous. Giving it to the franchisee to conduct business activities of / to a product of goods or services, based on and according to commercially prepared plan, tested its success and updated from time to time, on an exclusive or non-exclusive basis, will certainly be paid to the franchisor in connection with it (Fuady, 2005: 339). In the field of franchise business means a freedom obtained by an entrepreneur to run his own particular business in a certain region (Simatupang, 2003: 56)

In today's business side, franchise can be understood as a form of marketing and distribution activities. In it the company grants the right to run a business in a certain way to individuals or business entities. Franchise is one form of method of production and distribution of goods or services to consumers with a standard and system of exploitation. The exploitation standards include the similarity and use of company names, brands, and production systems, packaging procedures, presentation and circulation (Khairandy, 2011). So in this case there is a continuous reciprocal relationship between the franchisor and the franchisee in terms of running the business because the franchisee's satisfaction is obtained from the support of the franchisor starting from the pre-opening process to continuing measured business support (Roh, 2009)

Business franchises such as when franchisors comprehensively allow their knowledge in Indonesian business activities by allowing franchisees to use marks, trademarks, service marks. (Stern and El-Ansary, 1988). Declare that the franchise system is a unique distribution of business forms that grant the rights and privileges to the designated individuals of the region and period (Vaughn, 1979). Franchisor provides business knowledge with manuals for franchisees to have business activities and then franchisees pay fees for franchisors Continuous support, which can be called walking royalty. (Kwon, 2010).

Currently the Indonesian government strongly encourages small and medium enterprises to grow as a reliable national franchisor or franchise and have high competitiveness both nationally and internationally. There are at least three types of costs that are set in the franchise system that is usually in the franchisor to pick up the franchisee, among others, such as franchise fees, royalty fees, and advertising fee or marketing. Franchise fee is a franchise fee which is issued by the franchisor after being eligible as a franchisee according to the franchisor criteria, usually a one-time franchise fee includes the initial training facility fee and the initial set-up support of the outlet opened by the franchisee or usually called fee only. This fee is charged to the franchisee for all types of services provided by the franchisor for the benefit of the franchisee from the beginning until the outlet can operate (Suseno, 2008: 12). While the following is the royalty fee, Royalty is often called the franchise money constantly. The money is a payment for the ongoing services provided to the franchisor. In practice, the money is calculated in the form of a percentage of the gross income of the franchisor. The royalty fee withdrawn by the franchisor is routinely required to finance the provision of technical assistance, management, or promotion to the franchisee on an ongoing basis as long as both parties are bound by the agreement. Generally in the franchise agreement it is mentioned that the franchisee pays a certain amount of the franchise fee (royalty) to the franchisor based on monthly sales of gross sales (Ramadhan, 2019: 14). And there is a kind of fee that some franchisors wear is advertising fee that is the fee paid by the franchisee to the

franchisor to finance the advertising expenditures of the franchisor that are disseminated nationally and internationally. This charge is imposed with the aim that the franchised outlet network is to establish an economically large scale so that the cost per outlet becomes so efficient to compete with the same business as it is collective. Given the perceived useful advertisement by the entire outlet network, each outlet is required to contribute in the form of the contribution of advertising costs, and in its determination can not arbitrarily have to pass through the maturity so as not to burden the franchisee (Judge, 2008: 207). However, in general, most franchisors in Indonesia only apply two kinds of fees withdrawn from franchisees, franchise fees and royalty fees, and some apply advertising fees, while very few investment fees are imposed on franchisees.

Generally, the franchisor's revenue stream comes from the franchisee. Franchisee pays the initial franchisee fee after joining the system, and pays the continuing amount of royalties, as well as Advertising costs as a percentage of the outlet sales volume. Similarly, this is usually done franchise owner of the franchise recipient. (Ehrmann, 2005)

In the context franchise, is the relationship franchisee with brand (system) or franchisor (Watson, 2010). The franchise system is not just an economic system but also a social system because of the element of relationship based on the dimensions of dependency, communication and conflict (Stern and Reve in Tikoo, 2005: 331). The agency theory explains how to organize relationships well where one of the principals determines work, while the other receives it (Eisenhardt, 1985).

The attachment between franchisor and franchisee is a relationship that has obligations and rights respectively where the obligations of the franchisee have the obligation to pay some fees and from the franchisor's obligation is to provide support, among others, the first training program where the franchisor is obliged to contribute to the franchisee in making the necessary knowledge delivery the fulfillment and development of business concepts whereby the principal refers to the transfer of ownership know-how regarding the production and operation of the service (Rubin, 1978, Shane, 1996, Bradach, 1998 Lashley, 2000, Michael, 2000; Teegen 2000 in Monroy and Alzola, 2005 : 585), both support in terms of operational franchisee are given the freedom in the effort to operate but in control, franchisor's assurance and environmental support (Fullop, 2000), the third is Information where the franchisor also provides information franchisee with the required information disclosure regarding kondisi the franchise agreement and franchise financial considerations (Fullop, 2000).

To run a franchise business it can be seen that reciprocal franchisors to franchisees are equally beneficial to both parties where other franchisor income is derived from how a franchisor can perform its duties by fostering a good franchisee, so the growth of the franchisee business is also good and makes the impact of the franchisor on the payment of an increase in the payment of the fee from the franchisee. This is the ideal of a franchise business there are elements of mutual profit that can make the franchisor's expectations can use the franchise strategy as an effort to increase business quickly because of the franchisee but more important is how the franchisor must also be able to live from developing the franchise system itself because the many franchise business operational burdens borne by the franchisor to run and keep the operating system running well. Another important point is that developing a franchise business is not an easy task as keeping existing standards applicable to franchisee outlets is a hard enough effort to be able to provide good oversight and support done by the franchisor, as well as focus on improving efforts business income needs to be considered also the uniformity of one outlet to another outlet. So it is important for the franchisor to think that matters relating to coaching and support cost money.

Franchisors charge some fees to the franchisee because of the efforts to continue to maintain and develop the franchise. Where such fees are not paid properly would result in the franchisor not being able to pay the expenses associated with the operational expenses of the franchisor, if viewed from the point of view of the franchisor having considerable coverage in the franchise system he is in control and as command of the center its business rather than related to the problem at its own outlet but also the franchisee's outlet. Because of the need to realize that the emergence of fees that are charged, it is definitely calculated the amount and is usually in the financial plan described at the beginning when the franchisee decided to join and choose a franchise brand. If the financial ability of the franchisor is strong then it will be an advantage for the franchise itself because there is automatic allocation of funds in the back bentu support and develop that various alternative campaigns on various media that this is done to continue to introduce the brand franchise so that later it will return to the franchisee in the form of increased sales of integrated efforts and tersytem from franchisor.

Some of the benefits that franchisees get when deciding to join a franchise include being able to have a ready-made business because it already has an operating system and standards, most importantly it has been tested and is already there to stay on the run, by joining the franchise business like having a mentor business is the franchisor itself because it is definitely the franchisor has been in this business longer and experience franchisor and no longer need to try a new way that his risk is a business failure it becomes an important provision for franchisees, usually the brand franchisor is well known that not difficult to introduce a brand that is known in the area of the franchisee location, material supply and certainty in getting merchandise is the advantage of the franchise system because the

franchisee is not bothered anymore in terms of the provision of merchandise looking and trying some suppliers so that practical and can shorten the time in terms of preparation in the business and ease in operational later.

Income that the franchisor can collect to the franchisee is a franchise fee is the cost of purchasing franchise rights for a certain period of time levied by all franchises with varying amounts of fees, when the beginning franchisor chooses a brand. Each brand is different and its imposition is also not the same there is a periodically charged five-year franchise fee is charged at the beginning and renewed every five years, there is also a charge gradually every year where in the first year has been charged and paid later in each year during Each franchisee uses the franchisor's trademark. The value of the franchise fee is usually adjusted from the size of the business owned by the franchisor of its value from millions to hundreds of millions of this is because the determination of its value is based count of each franchisor because it is valued as a reward for the franchisor's experience of running a business format in duplication with the franchise system so it can not determined expensive or cheap depends on the perception of prospective franchisee itself in assessing a brand is feasible what is not for the value of franchise fees set by the franchisor.

Common franchise fees are usually included in the overall cost of renovations, training and how-know and the methods of doing business and subsequent service providers (Va'zquez, 2005). As for royalty fees is generally interpreted for the proceeds of revenue or turnover of franchisee sales on the basis of intellectual property rights owned by the franchisor in running the franchise, regardless of the profit or loss of its regular franchisee outlet royalty fee remains obliged to be charged with a certain amount taken from the turnover of the outlet before dikurangin burden of outlet franchisee costs, therefore franchisor also have an obligation to increase the income of outlet franchisee in generating profit and for royalty fee in paid increasingly. the method of royaty fee is diverse but usually in the form of percentage with the exception of the tax element if there is, there is a percentage of flat where any turnover then the percentage is the same, there is also a determination of its progressive in accordance with the turnover with a minimum limit of certain turnover. As a consideration in this case the cost is determined by each franchisor in determining the percentage and calculation of the royalty fee is clearly already count has been calculated mature by the franchisor who has experienced in the field of business so that the value of percentage can not be said big or small before seeing into the franchisor's business plan counts given to the franchisee at the beginning of the partnership. The principle of royalty fee is used for the continuity of the franchisor's operations in relation to the continuous guidance to the franchisee , In addition, the franchisor can continue to develop a new menu that the market needs by operating its own R & D Center. If there is a dispute with the customer, it can be managed at the franchisor level Theoretically, the franchisee will pay the royalties for this continuous business activity and support from the franchisor (kwon, 2010) .Following advertising fees are levied from the franchisee for the purposes of joint advertising activities managed by franchisor, usually intended for branding programs and marketing programs that have been specified and designed by the franchisor of the percentage of the levy of the franchisee turnover usually advertising fee is included in the franchise agreement, in the agreement also mentioned that advertising fee (if any) is a system that must be implemented and should not be violated, it aims to maximize the prospective customers who know the product and brand franchisor because if marketing is done only in local outlets and limited costs to eat the scope and alternative media is not optimal. Meanwhile, if done by the franchisor with collective funds from the franchisee can be collected large funds with a variety of media promotion options and the wide area of marketing and lead many potential customers to buy at the closest franchisor brand can be a franchisee outlet. Because it is part of the franchise system, the negligence of paying for advertising fees may result in termination of the franchise relationship. There is also only a penalty penalty imposed on franchisees that are late paying for advertising fee. The decision on advertising costs in the franchise and finding that advertising decisions together in the franchise generate higher profits than the franchisor and franchisee act alone to optimize the benefits on each side (Dant , 1996).

MATERIAL AND METHODS

In this qualitative study the data for the study is gathered through a group discussion of members (Franchise and Indonesian License) which focuses on information about the potential income of the franchisor. Excavation of information by conducting weekly group discussion forums hosted by Indonesian franchise and license (WALI) involving 117 members in discussion group with discussion theme about Franchisor Revenue and Support Franchise. This theme is discussed to inspire the franchisors to see that there is a source of revenue that can be obtained when having a good franchise system. Because in managing the franchise business is not uncommon that brand owners can not afford and eventually give up and change the pattern of business development strategy with conventional system does not use the franchise scheme. And also the discussion also concerns about efforts to increase revenue by increasing support for the franchisor to the franchisee. This discussion is interesting because it can see the opinions of

each franchisor who is the direct owner of the brand franchise. Because the franchisors have various policies in determining the types of fees to be collected and the amount of cost per cent, the franchisors have their own mindset and consideration of their policies in terms of cost determination. Because it is associated with the business criteria and business concepts as well as the level of business complex which is of course different from all franchisors, although in the same business field there may be differences in the size and types of costs that can be charged only two kinds of fees or all three are charged to franchisee.

RESULTS AND DISCUSSION

When the franchise system is implemented and can run then there is the potential revenue that can be obtained by the franchisor. Developing a successful franchise business is a target for the franchisor over the years and as a reward for the competitive difficulties of the various inabilities in maintaining and developing a franchise business that not all brands can grow with this system is only a brand that is managed by the franchisor with the concept and standards that have been detailed and easy to understand and indeed has proven successful that can be duplicated and applied by all franchisees. Before looking at the type of goods of course there must be given to the franchisee as an effort to take and give in the franchise business scheme, because no franchisee is only willing to pay and provide income for the franchisor without being rewarded for their pay, because the progress of this franchise business happened the obligations undertaken by the franchisor such as training, support and provision of information on these three things, the franchisor is actually doing duplication efforts that same business success with which is owned by franchisor to all prospective franchisee who is a new person and the layman is not familiar with the field of business that's altogether. The success and success of a brand franchisor in this is based on how this training contributes greatly to the training process and the introduction of the business field and how to emphasize the implementation on standard-standard conducted by the franchisor that makes his business successful can be transferred his knowledge by doing some kind of training with different training levels for each level of employees at outlets and training and introduction of the big picture of the business operations of its franchisees. So that the duplication process can work this must be ascertained the same distributed knowledge to all franchisee through good training programs arranged by franchisors, for mutual success. Besides that is no less important is the Support given by the franchisor in operational activities considering that the franchisee is the involvement of the franchisor in the operational is very in need to be a streetlight in the difficulty that must be dihadapin by the franchisee in routine daily operation outlet.pemberian Clear and detailed information and periodic is also a critical success factor outlet franchisee because it will always there are changes and improvements made by the franchisor on all sides of the operational activities both in the franchisor's part of his improvement and in the side of the activities undertaken by the franchisee, the runtutan this activity becomes an important unity because the activity can give different results if one or more stages are done differently because of lack of information and the diversity of information paths provided must be accepted and confirmed to be obtained by the franchisee. This uniformity also exists in various fields such as operational, promotion program and other big agenda, this information is important when it is associated with the effort of speed improvement which is done in accordance with franchisor's expectation because diera now all business happened faster repair than before, for example in culinary field the new menu can not only be issued in the annual period should be made with changes with shorter time can be quarterly or per semester to be able to compete, but in the world of franchise small changes that occur can take a long time to uniformity this is associated with the number of outlets many in different areas.

Franchisors in the discussion agree that the above efforts are done will get results if the success is reflected in the success of the franchisee business, the greater and successful business franchisee franchisors can get the potential for greater revenue with a small effort because in principle the franchise is a system in duplication, so it can be said if his master duplication is good then the duplication results can be ascertained potentially good. The income from the regular franchisee fee enjoyed by the franchisor early franchisee joins as the first big revenue generated from the system creation process. In Indonesia usually the franchise fee value is mentioned separately there are already incorporated in one package of value along with complete equipment for the beginning franchisee join, then the cost can be charged per period or during the time specified each brand, there are implementing per five years then newly reimbursed franchise fee with a value of five years already paid in the beginning, there are per annual period in which the first year has been in the load and then charged in the second year. And the number would be bigger every five years because calculated per year in multiply five so it will feel great. If in good turnover conditions the franchisee fee will be small in terms of good store turnover then the franchise has the ability to pay the franchise fee, because this is the franchisor's right to brand ownership that is part of the intellectual property. Franchisor and Indonesian licensors agree that the value is reasonable and appropriate in every brand because it is a number that has been calculated based on experience running franchisor business with the target turnover has been set and the calculation of operational costs then the franchise fee has been included in the cost of franchisee excluding net income which the franchisor promises in the business plan described. Revenue from franchise fees creates a source of revenue for the franchisor

that is essential to enlarge the business scale and the scope and financial strength of the franchisor. While for royalty fee is its general value withdrawn from the value of the sales turnover of which the percentage has been calculated by franchisor, there are some franchisees who feel the objection to the withdrawal of royalty fee is because they think that will reduce the profit from outlet franchisee, but also need to pay attention also percentage so as not to burden the franchisee because the purpose of this royalty is how the franchisor can support operations and handle these activities without the support of royalty funds from sales levies collected from the franchisee which is a source of fixed income franchisor in terms of franchisee successful coaching. This income opportunity is enormous when it comes to developing a large number of franchisee outlets and a good turnover then this makes the total value of the royalty fee levy extremely intense with this large monthly value not only covering the franchisor's operating costs in support of the franchisee's business but is also an additional income franchisor company earned and flow each month to make income to be reckoned with and proud if the value of its royalty fee is big this means the success of the franchisor in duplicating the success of the outlet of the franchisee. One more revenue to be collected is advertising fee type of revenue can not be said to be the opinion of the franchisor for these costs to be refunded in this type of promotion and branding efforts along that span the entire area of the outlet franchisee, the more outlets, the number of advertising this fee to be great and make franchisors can use promotional media that can be seen by many people at the same time. It is a big mistake if this advertising fee for the franchisor is considered an income that enlarges the cash flow because the results of this set of funds should be reported to the franchisee about the amount earned and the allocation and the promotion of media promotion so that it can be obtained for the common good and the purpose of increasing the sales of each outlets of branding activities and joint promotions are undertaken.

Franchise business growth can be a solution for individual business owners who feel the burden of business is very high in this digital era technological progress will backfire if not in anticipation of entrepreneurs, if not develop a franchise business because with the number of outlets that many with a wide business scope will become a profit in that makes the failure rate that can be said low because the bigger a brand then the risk is reduced

The franchise outlet may belong to the franchisor itself, this can happen because the franchisor opens an outlet funded solely by the franchisor and becomes part of his outlet. if in this case usually in general call its outlet there are some who say example example with the term outlet COCO (Corporate owner corporate operations). Well for outlets like this is actually the treatment and the concept of the calculation itself is exactly the same as outlets that are owned by the franchisee and franchise fee fees, royalty fees and marketing fee, and the purchase of raw materials as well as his treatment paid to the franchisor. Which distinguishes only later when the profit process of the outlet itself is just the profit value of the outlet into its other income from the franchisor due to the capital development that the franchisor has allocated for the outlet opening and assumes all the costs of the COCO outlet.

In the discussion found that there are other sources of income whose value can be very large if the well managed income from the purchase of raw materials managed by the franchisor through the suppliers who have become franchisor partners to supply materials that have been standardized. This amount can be great because obtained from the margin difference obtained between the price of the supplier and the price given to the franchisee each item of course there is a difference that can be obtained by the franchisor. Given the many items that can be in the supply and the number of its many outlets and if accompanied by a good sale so that it can make this a lot of goods can be a large total for the franchisor. This point is missed because many do not understand that this is a source of income for franchisors when developing a successful franchise business. And to get a summary of this discussion is a source of income of this type can be beat or equal to the royalty fee itself and most make the source of purchase of this raw material as a major source of income applied in the franchise business in Indonesia. Because most of the ease of withdrawing the cost of purchasing this raw material that makes this income easy to realize while other types of income such as franchise fees and royalty fees are often applied in the franchisor in Indonesia there are constraints in terms of withdrawal from the franchisee because some franchisees have not realized the importance of its cost- these costs for the continuity of their business and make the cost as an additional cost of weight and not willing to spend because it is the usual size that must be borne in the operational outlet franchisee.

Apart from the above three income that can be obtained from the franchisor to develop a franchise system adalah potential benefit from the supply of raw materials or WIP (work in process), for example, if the raw materials purchased by the franchisor, they have an advantage over the cost because of the volume of material. They can also negotiate with suppliers, so they can request product standardization; maintain quality and efficient inventory management along with purchasing power. The franchisee can receive fresh ingredients every day or every week using the logistics infrastructure at the franchisor level (kwon, 2010). In this case the franchisor is usually responsible for the availability of raw materials or printed materials for the purposes of his network outlet. Responsible here for the franchisor must ensure the quality and uniformity of output products or services on the entire network is managed, it is in use to ensure the quality of perception in the eyes of consumers on brand franchisor have had the promise of products and services as well as the same look in every outlet her. sake of uniformity, this is necessary because of the identity of an outlet according to a consumer standpoint is despite the

fact that is not owned by one person so that the franchisor must ensure that each outlet of its standard, if there is one outlet only disappointing consumers in one place so consumers will have poor grades at other outlets in different regions of the same brand. Franchisors've made mixing and dosing accurate to the material as well as more detailed product brand for the raw materials it so that if it is not supplied by the franchisor may be possible ketidakterseidannya appropriate material standards set franchisor in the region or area outlet franchisee menggingat that the breadth of areas in Indonesia especially that is the archipelago country make there are some items of goods with a certain brand that is not available in one region, if using a different brand there will be differences that may occur in the product produced in the outlet belongs to the franchisee and this may aggravate perceptions that lenih worse if the sales at franchisee-owned outlets according to the product due to that produced less in line with expectations of consumers in the brand franchisor owned outlets were compared in the different regions.

The advertising fee as described can not be considered as revenue because the funds collected should be allocated for marketing purposes.and very few franchisors in Indonesia charge this fee to the franchisee as most promotional programs are performed by each outlet in the region and area of the outlet itself is independently done by the franchisee. That can not be said wrong because a very wide area can be a franchisor think it would be better to use the system as above because it is very easy and not burdensome, but can not be denied that the good is the advertising fee is drawn by the franchisor and then managed as a mutual fund its importance to build the brand together with a large scale because the fund is centered in the franchisor's place. There are some franchisors who apply these charges on average are big established brands that apply this fee to the franchisee because of their ability to manage advertising funds more experienced and media selection can be right because based on the professionals in the field of marketing.

CONCLUSION

The conclusion of the discussion illustrates that what can be earned from the franchisor as income other than his turnover profit is franchise fee, royalty fee, and advertising fee but unexpectedly that it turns out according to the experience of franchisor regular income that can support the continuity of the franchise business franchisors are the revenue they earn from the provision of materials and raw materials are supplied to the franchisee this is an income that is felt great and enjoyed by the franchisor from developing franchise system so far. It is theoretically true that the revenue from raw material purchases does not arise from the sources and potential revenues of the franchisors because it is known by franchisees of types and magnitudes as well as the percentage of income of this type, because this is the private area of the franchisor who is the sole agent of the goods supplier to their franchisee. Raw materials become mandatory franchisee purchased from the franchisor because to get the franchisee's products according to the results must follow in detail the smallest thing used by franchisors in their outlets that have been successful in can be associated with the certainty of sources of income in the franchisor can in the business which is one big income that can continue to maximize without limits the amount of it by continuing to increase the number of outlets of the franchisor.Besaran this rarely argued in the early stages of franchise purchasing process by the franchisee because most are not contained in the business plan there is only the value of the cost of materials in it already contained the profit value obtained by the franchisor of the provision of such materials. For the franchisors now beginning to realize that there is a big thing to be gained from developing this franchise system, which is primarily the potential and sources of passive income that can be obtained from the franchisee which of course must diimbangin with training, support and chain information adequate for success the franchisee that ultimately makes the franchisor's revenue potential.

References

- Alzola, M. F. (2005). An analysis of quality management in franchise systems. *European Journal of Marketing*, Vol. 39 Iss 5/6 pp. 585 - 605.
- Choi, T.-W. K. (2010). A study of the factors which influence franchisor profit structure with running royalty policy for its sustainable growth. *Emerald Insight* , Vol. 11 No. 3, 2010 pp. 266-276.
- Dant, R. P. (1996). Modeling cooperative advertising decisions in franchising. *Journal of the Operational Research Society*, 47(9), 1120–1136.
- Deden, S. (2007). *Franchise Guide Series Kiat Memilih Usaha Dengan Biaya Kecil Untung Besar*. Jakarta: Dian Rakyat.
- Eisenhardt, K. M. (1985). Control: Organizational and Economic Approaches. *Management Science Published by: INFORMS*, Vol. 31, No. 2 (Feb., 1985), pp. 134-149.
- Fuady, M. (2005). *Pengantar Hukum Bisnis*. Bandung: PT.Citra Aditya Bakti.
- Fulop, C. (2000). *Franchising Hospitality Services*. Butterworth-Heinemann: Oxford.
- Hakim, L. (2008). *Info Lengkap Waralaba*. Yogyakarta: med press.
- Khairandy, R. (2011). Landasan Filosofis Kekuatan Mengikatnya Kontrak. *Jurnal Hukum*, 134.
- Kidwell, R. E. (2007). Antecedents and effects of free riding in the franchisor–franchisee relationship. *Journal of Business Venturing*, 22 (2007) 522–544.
- Ramadhan, E. E. (2009). *Franchise Untuk Orang Awam*. Jakarta: PT.Gramedia Pustaka Utama.
- Simatupang, R. B. (2003). *Aspek Hukum Dalam Bisnis*. Jakarta: PT. Rineka Cipta.
- Surinder, T. (2005). Franchisor use of Influence and Conflict in Business format Franchise System. *International Journal Of Retail &Distribution Management* , Vol.33 pg.329.
- Suseno, D. B. (2008). *Waralaba Syariah: Risiko Minimal, Laba maksimal, 100% Halal*. Yogyakarta: cakrawala.
- Va'zquez, L. (2005). Up-front franchise fees and ongoing variable payments as substitutes: an agency perspective. *Review of Industrial Organization*, Vol. 26, pp. 445-60.
- Watson, A. (2010). Managing the Franchisor–Franchisee Relationship: A Relationship Marketing Perspective. *Journal of Marketing Channel*, 51-68.
- Yoon, E. Y.-H. (2009). Franchisor's ongoing support and franchisee's satisfaction: a case of ice cream franchising in Korea. *International Journal of Contemporary Hospitality Management*, Vol. 21 Iss 1 pp. 85 – 99.

Biographies

Dede Suleman is a Doctoral student at Mercubuana University, Jakarta. Bachelor Degree from Institute of Islamic University Azzahra, majoring in Economics, and Master Degree from BSI University Bandung, Department of Management. Dede work as a businessman who pioneered and developed a restaurant business that has been in franchise with the brand My Bento for 9 years, and also career as a permanent lecturer in Bina Sarana Informatika Jakarta for 6 years. His research interests include the development of the world of franchising, franchise risk, franchise operations and franchise management.

Ahmad Hidayat Sutawidjaya is a lecture of Mercu Buana University, Jakarta, Indonesia. He obtained while the degree of Doctor of Business Administration (DBA) from San Beda College, Business School, Manila, Philippines in 2008. He finished Master of Commerce (M.com) at the University of Wollongong, Australia in 1997. Then, He also Completed Master of Philosophy (M.Phil) in Maastricht School of Management (MSM), Netherlands in 2000. He had many experience as a professional for 13 years in Banking and Corporate, Such as BTPN, Bank Hastin, PT.SNN, and PT.NUArt. Nowday, He is CEO / President Director of PT. Alfin Permata Jaya Engaged hearts Field outsourcing services, telecommunications and construction. He is also arrange as CEO Wedding Organizer (New Diamond) In Jakarta.

Indra Kurniadi is a Doctoral student at Mercubuana University, Jakarta. Bachelor degree from Institute Teknologi of Indonesia, Majoring Chemical engineering, and master of management degree from BINUS Business School. Currently He is a Manage a Training and Consulting Healty Safety Environment, PT Phitagoras Global Duta since 2007.