Chapter 2
Analysis Rise of Franchises

José G. Vargas-Hernández
University of Guadalajara, Mexico

Cinthia Zuleima Pavón Villegas
University of Guadalajara, Mexico

ABSTRACT

Franchising is a business system, which is booming. That is why the focus of this research focuses on the causes that have contributed to the growing importance of this system as a mechanism of expansion or a business venture. An analysis was made, based on the Agency Theory, the Theory of Transaction Costs and the Theory of Property Rights to explain the phenomenon, as well as description about what the system entails and what has led to be regarded as a safe and a successful investment form, retaking key aspects based on previous research.

INTRODUCTION

The existing competition in the markets today is subject at national and international level, to the demands of consumers and the constant technological progress, which means that companies of any stratum adapt to this environment so rapid and constant, which represents the worst part for those who undertake a business and have to face the environment with little experience and little capacity to adapt to these constant changes.
The franchise industry in Mexico is in a spurt growth. But it is franchising a business opportunity for those seeking to start or invest? Why the rise of franchising is that? Can it be generalized that investing in a franchise is a guarantee of success?

Today the term franchise is closely associated with big brands or prestigious establishments such as Starbucks, McDonald’s, Subway, among others. But what is a franchise? A franchise is a business model in which an organization seeks to market goods and services, not necessarily successful and/or recognized, either in the local or international market, through the contractual relationship with a third party to whom it is granted by a time given the rights necessary to operate under its brand name, brand and operational processes, in exchange for a fee or percentage of sales.

Frequently it is found articles that point to the franchise as the best way to guarantee an investment, but the reality is that there is no guarantee of success for any business because in the end both the franchise and the independent business involve certain risks. The difference between these lies in the risk level. The risk of a franchise turns out to be minor compared to what can lead a business. To this could be one of the main features that have led the franchise to success is reflected in the growing number of franchisees and franchisors.

This research analyzes the growth of franchises, describing the possible reasons why entrepreneurs choose to invest their capital in franchise rather than independent businesses, which this system has led to success.

**Definition of the Problem**

Because there is still no research work focused on the decisions of entrepreneurs to purchase a franchise and franchise business by opting for the theoretical analysis performed to describe those aspects that contribute to the growth of the business system it is based on previous research articles that analyze the characteristics of the franchise, as well as aspects related to the functioning of these, that let know relevant points that contribute to this research.

The contextual analysis of this system focuses on news articles about franchising in Mexico.

**Justification**

This article arises from the growing interest in entrepreneurship as a mechanism franchise or expansion, leaving aside the creation of companies as independent businesses or expanding their own businesses. This because the constant marking of franchising as a form of investment with minimal risk of failure and a supposed guarantee of success. This business system is today the model of marketing goods and services of higher growth.
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