



**Ain shams University  
Faculty of Commerce  
Economics Department**

# **Franchise Phenomenon and its Impacts on the Egyptian Economy**

**(A Comparative study between Egypt and Brazil)**

**ظاهرة الفرنشايز وأثارها على الاقتصاد المصري**

**(دراسة مقارنة بين مصر والبرازيل)**

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جامعة عين شمس  
كلية التجارة  
الدراسات العليا  
قسم الاقتصاد

## ظاهرة الفرنشايز وأثارها على الاقتصاد المصري (دراسة مقارنة بين مصر والبرازيل)

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وَمَا أُوتِيتُمْ مِنَ الْعِلْمِ إِلَّا قَلِيلًا

صدق الله العظيم

# ***Dedication***

- *I dedicate this to my dear father, my beloved mother, my lovely husband Mohamed, my dear brothers Tamer and Ahmed, my children Hamza and Habeba, And to all who helped me in finishing this task especially*

**Prof.Dr. Farag Ezzat**

Dr. Mohamed Elshemey



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***Reham Magdy Mohamed El-Shahed***

## **Abstract**

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Franchising has a great importance as it considers as a tool for helping economic development , it contributes to develop and provide job opportunities for local labor as well as for this contract great importance for the its parties(the franchisor and the franchisee). Franchising is commonly understood as a “contractual agreement between two legally independent firms in which one firm, the franchisee, pays the other firm, the franchisor, for the right to sell the franchisor’s product and/or the right to use its trademarks and business format in a given location for a specified period of time”.

The Researcher followed the historical method through tracing the development of franchising globally, focusing on Brazil and Egypt, and descriptive method through describing the current state of franchising in both countries.

Franchising has the potential to make positive contributions to an economy. The franchise business model can help local businesses in Egypt to expand and thrive. The franchise model can also contribute to regional integration in Africa. Most important, the franchise business model can contribute to economic development of Egypt, create jobs for unemployed youths, provide economic opportunities for women and minorities, encourage entrepreneurship and innovation, and make more goods and services readily available to consumers .

The benefits of the franchise business model are not automatic, however. To succeed and make positive contributions to the economy, franchise-operated businesses need an enabling environment. Appropriate laws and regulations must be in place, government support to small businesses is crucial, small and medium sized enterprises must enjoy ready access to capital and technical advisory services, and the overall economy must be strong, vibrant and support robust consumer spending, and the financial system must be friendly to small business in terms of credit standards and availability.

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# *Introduction*

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## **Introduction**

An Introduction to Franchising is designed to introduce people to the fascinating world of franchising. Many people think of fast food restaurants like McDonald's, Burger King, and Wendy's, when they think of franchising. But there are many more types of franchise businesses. One out of every three dollars spent by Americans for goods and services is spent in a franchised business. Homes are bought and sold through franchised real estate companies. The same homes can be cleaned, painted, and carpeted through a franchise. Cars can be purchased, tuned and washed through franchises. We can have our hair cut, clothes cleaned, pets cared for – all in franchised businesses. We can travel from one area of the world to another through franchised businesses.

Franchising was introduced in the United States in the early 20th century by manufacturers in order to secure local distribution of their product. Franchise chains formed at that time still dominate automobile and gasoline retailing, as well as soft drink distribution. This type of franchising is called product franchising. A second type, business format franchising, arose in the 1950s promulgated by entrepreneurs in services industries. When sales from product franchises such as gas stations and soda bottlers are combined with business format franchises such as restaurants and dry cleaners, franchise chains represent over 45% of retail sales in

the United States (International Franchising Association, 2010). Further, franchising has become a key mode of expansion for US and European firms in foreign markets.