
Newsletter – Challenges and Benefits of Being a Franchisor in Brazil

More and more Brazilians are being attracted to the franchising market. According to information of the Brazilian Franchising Association (ABF), franchise units have grown by 100% from 2002 to 2012.

This market, besides being very attractive to new entrepreneurs, can also bring many benefits to those who have a consolidated business and desire to turn themselves a franchisor, i.e., offerer of franchised units.

For those who desire to expand their business, capitalize themselves, turn more competitive in the market and strengthen their brands, the formatting of a franchise plan is a very good option.

The activity demands some challenges, which, nevertheless, are perfectly surmountable when the entrepreneur counts on a good legal support and motivation to integrate business` activities, creates a supply chain and develops marketing actions.

The formatting of a franchise, and consequently its offer to the public, begins with the overview analysis of the business to be franchised, so that is possible to transmit precisely the activities developed by the franchisor to prospective franchisees.

Furthermore, it is recommended to take other steps, such as: the analysis of the franchise practicability, the setting of a strategic expansion plan, the creation of franchise guidebooks, and the legalization of the franchise, which involves the

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development of the Franchise Offering Circular (COF), as well as the drafting of a pre-contract and the final contract.

In the first phase, the franchisor has to verify what is the demand of the market for its products and services. This step is essential for setting the operational strategies of the franchise.

It is also important to value the approximate cost of the franchised units, its viability to be profitable in the future, as well as the determination of the fees to be paid and its systematic administration.

In the second phase, a strategic expansion planning has to be created, in the context of which are designed the possibilities for the franchise business to grow geographically and achieve other potential interested parties.

Then comes the elaboration of guidebooks to the franchisees, in which are registered the methods of the franchisor, as well as a guide to open, administrate, and to carry out the financial control, all this protected by copyrights.

Finally, it is essential and necessary the legal regularization of the Franchise, which undergoes three steps: to draft the COF, the pre-contract and the final contract.

The first one is the draft of the Franchise Offering Circular (COF), regulated in the Brazilian statute number 8.996 – Franchise Act. The COF must contain a complete description of the business and

the values involved, all in “clear and accessible language”.

It is also necessary to mention the obligation, for the franchisor, to draft the template of a pre-contract, which has the objective to formalize the promise between the prospective franchisee and the franchisor, until the final contract is executed.

The pre-contract has a validity of 90 days, sufficient time for the franchisor to adopt decisions regarding the localization and the constitution of the franchised corporation.

The franchisor has also to draft a template of the final contract of franchise, which will contain all the rights and obligations of franchisor and franchisee.

After carrying out all these formalities, it is recommended that the franchisor conducts trainings to the franchisees, for ensuring their compliance to its methods. Such trainings are intrinsically related to the success of the business and contribute to maintain the franchise network identity.

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