



ESL Podcast 356 – Starting a Franchise Business

GLOSSARY

franchise – a business that has permission from a larger company to sell goods and services using the brand, advertising, and operations of that larger company

* Do you think you want to join me in starting a franchise of that successful sandwich restaurant chain?

franchise fee – an amount of money paid to a larger company for the right to open a franchise business

* How much is the franchise fee to open a McDonald's restaurant?

recurring – repeating; happening many times; happening repeatedly, often on a regular schedule

* Wayne has a recurring nightmare in which he sleeps too late and misses his school exams.

royalty – an amount of money paid to a company or person for being able to use something that it, he, or she has produced, usually based on the amount of sales

* The Beatles receive a royalty every time that one of their songs is used in a television commercial.

quality control – something that is done to make sure that everything a company or person produces is very good or excellent and that bad products or services are not sold

* The toy company's quality controls include testing every toy before it is packaged for sale.

to be subject to (something) – to have something apply to oneself; to have to do something; to be forced to do something

* If you earn money in the United States, then you are subject to U.S. taxes.

proven formula – a system that has been shown to work well; a way of doing something that always works

* Eating more fruits and vegetables and getting more exercise is a proven formula for losing weight.

turnkey – ready to be used immediately, without making modifications

* Rafe bought a turnkey software program for accounting. He only had to enter the name of his business and then everything worked automatically.



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spot check – a random, unannounced visit to verify the quality of something or to find out how well something is being done

* The high school teachers decided to do a spot check of students' lockers, looking for drugs and alcohol.

from time to time – occasionally; every once in a while; sometimes

* From time to time, after an especially difficult week at work, she sleeps in on Saturdays until 11:00 a.m.

to audit the books – to review a company's accounting records, looking for errors

* When they audited the books, they realized that their accountant had been stealing money from the company.

standard – the quality or speed at which something should be done; the minimum acceptable quality or speed of something

* Gray has very high academic standards for himself and expects to get into one of the best colleges in the country.

franchise rights – the permission that a larger company gives to a franchise to operate with its name and products or services

* Kevin lost his franchise rights when he refused to use the company's marketing materials.

in (one's) own best interest – benefiting someone; to one's advantage; advantageous for someone

* My doctor told me that losing weight was in my own best interest, since it means that I'll have a healthier, longer life.

troubleshooting – assistance with specific problems; advice on specific problems

* When her computer stopped working, she called the manufacturer's troubleshooting service.



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COMPREHENSION QUESTIONS

1. What will Magdalena *not* have to pay?
 - a) Franchise fee.
 - b) Royalties.
 - c) Quality control.
2. What is a turnkey operation?
 - a) A process that has a proven formula.
 - b) A way to conduct spot checks.
 - c) A business that has no quality control.

WHAT ELSE DOES IT MEAN?

royalty

The word “royalty,” in this podcast, means an amount of money paid to a company or person for being able to use something that it, he, or she has produced, usually based on the amount of sales: “The author wrote a best-selling book, and now receives enough money from the royalties so that he doesn’t have to work.” The word “royalty” is also used to refer to members of a royal family, or the family of a king or queen: “Princess Diana was a very popular member of the British royalty.” The phrase “to treat (someone) like royalty” means to treat someone very well, as if he or she were related to a king or queen: “To celebrate their anniversary, he treated her like royalty, taking her to the nicest restaurant in town.”

to be subject to

In this podcast, the phrase “to be subject to (something)” means to have something apply to oneself, to have to do something, or to be forced to do something: “Zede works from home because she doesn’t want to be subject to a regular work schedule.” Or, “Coletta was subjected to her classmates’ laughter when her mother made her wear an ugly orange sweater to school.” The phrase “to subject to (something)” can mean to make a group of people be governed by another government: “During the war, they were subject to military rule.” Finally, if something is “subject to (something),” it means that it cannot happen or be finished until something else happens: “They plan to travel to Vermont next month, subject to their ability to find inexpensive airline tickets.”



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CULTURE NOTE

Training is very important for franchise businesses. They need a way to “ensure” (make sure) that all of their franchises offer the same types of products and services. The best way for a company to do this is to “establish” (create) a franchise training program that all franchise owners are required to participate in.

Some large companies establish “corporate universities” for their franchise training programs. These are not real universities, but they do teach new franchise owners everything they need to know about the franchise business.

Probably the most famous corporate university for franchise training is Hamburger University, the worldwide “management training center” (a place where people go to learn how to become better managers) for McDonald’s. “Founded” (created) in 1961, Hamburger University is located near Chicago, Illinois. Its “mission” (the reason that an organization exists) is to teach people about all parts of the McDonald’s business. There are 30 professors and most classes have more than 200 students. These students come from many countries and there are many translators, so the classes can be taught in 28 languages. “To date” (until now), more than 70,000 managers have received a “McDegree” or graduated from the corporate university. Students who want to continue their education can earn an advanced “McMaster” degree.

Franchise training programs try to teach franchise owners everything they need to know about the business. Many of the classes are about the products and services that the company offers. These products and services must be “standardized” (always the same) nation-wide, so it is important that the franchise owners understand how to create and deliver those products and services. Other classes “cover” (are about a specific topic) marketing, the company’s history, “bookkeeping” (accounting), employee management, and more.

Comprehension Questions Correct Answers: 1 – c; 2 – a



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COMPLETE TRANSCRIPT

Welcome to English as a Second Language Podcast number 356: Starting a Franchise Business.

This is English as a Second Language Podcast episode 356. I'm your host, Dr. Jeff McQuillan, coming to you from the Center for Educational Development in beautiful Los Angeles, California.

Visit our website at eslpod.com and download a Learning Guide for this episode. The Learning Guide contains all of the vocabulary, definitions, sample sentences, additional definitions that we don't discuss on the podcast, cultural notes, comprehension questions, and a complete transcript of everything we say. If you're interested in improving your English as fast as possible, then the Learning Guide is for you!

On this episode, we are going to talk about starting a franchise business. This is a business that pays a larger company for the right – for the permission to use their goods – their services. For example, McDonald's is a large restaurant company; you can buy a franchise. You can open your own McDonald's and use their material – their food by paying money to the larger McDonald's company. We're going to hear a dialogue between Magdalena and Phil about opening a franchise. It includes lots of other general business vocabulary as well. Let's get started.

[start of dialogue]

Magdalena: Thanks for meeting with me today. I've read through the materials your company sent me, but I still have some questions about opening a franchise.

Phil: That's what I'm here for. What questions can I answer for you?

Magdalena: Well, I'm familiar with the franchise fee, but are there recurring fees not listed in these materials?

Phil: That's a good question. In addition to the annual franchise fee and the monthly royalties, we also charge a training fee and an advertising fee. Here's a list of these and other fees.

Magdalena: Oh, that's very useful, thanks. I was also wondering what kinds of quality controls the franchises are subject to.



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Phil: As you know, when you start a franchise, you are buying into a proven formula for success. We offer a turnkey operation and you will be trained on how to run your business, down to the smallest details. To maintain these standards, we conduct spot checks of all of our franchises from time to time and we audit the books of each franchise once a year to make sure that our standards are being met. Only in very rare occasions do franchises lose their franchise rights because they've failed to meet our standards.

Magdalena: What if I have problems along the way? What kind of support does the corporate office provide?

Phil: We give our franchises as much support as possible. After all, it's in our own best interest that you succeed. We provide troubleshooting and training for your management and employees.

Magdalena: I think those are all of the questions I have right now. I really appreciate your time. If I have other questions in the future, can I contact you?

Phil: Certainly. Here's my card. I'd be happy to answer any questions you may have. Just give me a ring.

Magdalena: Thanks, I'll do that.

[end of dialogue]

Our dialogue begins with Magdalena saying to Phil, "Thanks for meeting with me today. I read through (I looked at closely) the materials your company sent me, but I still have some questions about opening a franchise." Phil responds, "That's what I'm here for (that's why I am here). What questions can I answer for you?"

Magdalena says, "Well, I'm familiar with the franchise fee, but are there recurring fees not listed in these materials?" A "fee" is an amount of money that you pay someone. In this case, it's the amount of money that you would pay the larger company for the right to open a franchise business in their name; that's the "franchise fee." Magdalena is asking if there are "recurring fees." "To recur" means to repeat, to happen many times, usually on a regular schedule.

Phil says, "That's a good question. In addition to the annual franchise fee and the monthly royalties, we also charge a training fee and an advertising fee." Phil is saying that Magdalena would have to pay every year a certain amount of



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money, as well as “monthly royalties.” A “royalty” (royalty), in this, case means the amount of money that you pay a company or a person for being able to use something that they have produced. Usually, for example, if you write a book, the publishing company will pay you every year royalties. They’ll give you 10 percent, maybe 15 percent of the price of the book back to you, because you wrote it. Royalties are usually not as large as many people think; when you write a book, for example, the royalties are not that high. Magdalena has to pay royalties every month based on how much she sells. “Royalty” has a couple of different meanings; take a look at the Learning Guide for some additional explanations.

Phil says that the company also charges a training fee and an advertising fee. He gives Magdalena a list of these fees. She says, “Oh, that’s very useful, thanks. I was also wondering what kinds of quality controls the franchises are subject to.” “Quality control” is something that a company does to make sure that everything that is produced is a very good or excellent quality. It tries to prevent bad products or services from being sold. So, if you were making cars, your quality control team would look at the cars and make sure that they were built correctly; that is part of “quality control.”

Magdalena is asking what kinds of quality control the franchises are subject to. “To be subject to something” means to have something apply to you, to be forced to do something. You are subject to the law of the United States when you are here in this country. “To be subject to” means you have to obey, you have to do whatever you are told. The franchise is subject to certain kinds of quality control – they have to do these kinds of quality control.

Phil says, “As you know, when you start a franchise, you are buying into (you are becoming part of – you are paying for) a proven formula for success.” A “proven formula” is a system that has shown to be successful, to work very well. “Proven” means you’ve already demonstrated it. Here, “formula” is like a set of steps or processes. Phil says, “We offer a turnkey operation.” “Turnkey” (turnkey – one word) means ready to be used immediately, without making any changes. This is a term we often talk about in business when you have a system or a set of procedures you can use right away, you don’t have to think of them yourselves. That’s a “turnkey business,” you can start it and it starts working correctly right away because someone has already figured out the proper steps – the things that you need to do. Most franchise businesses are turnkey businesses; the company already has a set of procedures for you to follow.

Phil says that “you will be trained on how to run your business, down to the smallest details,” meaning including the smallest details. “To maintain these



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standards, we conduct spot checks of all of our franchises from time to time.” A “spot check” is a random, unannounced visit to make sure that the quality of something is high or that something is being done. So if the company decides to visit you one Tuesday afternoon, it won’t tell you, it will just come to your business and make sure you’re doing things the way you are supposed to be doing them; that’s a “spot check.” They do spot checks “from time to time,” meaning every once in awhile – sometimes.

Phil says that the company also audits the books of each franchise. The “books,” here, refer to the accounting records, a list of how much you spent and how much income you made – how much money you received. “To audit (audit) something” means to look at it very carefully, to check it to make sure it is correct. So, “auditing the books” means looking at your company’s accounting and financial records to make sure everything is correct. Phil says they do this to make sure that their “standards are being met.” A “standard” is the quality level that something should be done; it’s the minimum speed or quality of something. In many schools, they have standards for the students, things that every student is expected to know at a certain level.

Phil continues by saying that “Only in very rare occasions do franchises lose their franchise rights because they’ve failed to meet our standards.” The term “franchise rights” refers to the permission that the larger company gives to the individual franchise to use its name and its products. Phil is saying that it is quite unusual for a franchise to lose its rights.

Magdalena says, “What if I have problems along the way (while I am running my business)? What kind of support does the corporate office provide?” The “corporate office,” here, would be the headquarters of the larger company. Phil says, “We give our franchises as much support as possible. After all,” he says, “it’s in our own best interest that you succeed.” The expression “to be in one’s own best interest” means it is to your advantage, it is advantageous for someone, it benefits someone. If your wife says to you, “It’s in your own best interest, dear, to wash the dishes. Because if you don’t, I’m not going to cook any food tonight!” “It’s in your own best interest” – it will be beneficial to you.

Phil says, “We provide troubleshooting and training for your management and employees.” “Troubleshooting” means assisting someone with specific problems – advice on specific problems. If you have problems with your computer – and everyone has problems with their computer – you are going to have to do some troubleshooting. You are going to try to figure out what the problem is and try to fix it. And when that doesn’t work, then you turn your computer on and off, and everything seems to be better. Why is that, anyway?



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Magdalena then thanks Phil, asks if she can contact him in the future – if she can call him if she has more questions. Phil says, “Certainly (meaning yes). Here’s my card (here’s my business card with my contact information on it). I’d be happy to answer any questions you may have. Just give me a ring.” “To give someone a ring” is an informal way of saying call them on the telephone. “Just give me a ring” – just call me on the telephone. Magdalena says, “Thanks, I’ll do that.”

Now let’s listen to the dialogue again, this time at a normal speed.

[start of dialogue]

Magdalena: Thanks for meeting with me today. I’ve read through the materials your company sent me, but I still have some questions about opening a franchise.

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Phil: Certainly. Here's my card. I'd be happy to answer any questions you may have. Just give me a ring.

Magdalena: Thanks, I'll do that.

[end of dialogue]

Our proven formula for getting good scripts on this podcast is to give them to Dr. Lucy Tse, who wrote the script for today's episode. Thank you Lucy!

From Los Angeles, California, I'm Jeff McQuillan. Thanks for listening. We'll see you next time on ESL Podcast.

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