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## **ФРАНЧАЙЗИНГ: ЗА И ПРОТИВ**

В данной статье рассматривается франчайзинг – относительно новая форма ведения бизнеса в России. Авторы подчеркивают, что на данный момент франчайзинг является одной из самых популярных и прогрессивных форм бизнеса, широко распространенный на Западе. Далее авторы раскрывают основные понятия, связанные с этим термином и выявляют положительные и отрицательные стороны франчайзинга.

***Ключевые слова:*** франчайзинг, бизнес, франчайзер, франчайзи, тенденции, перспективы развития

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## **FRANCHISING: PROS AND CONS**

This article deals with «franchising», a relatively new form of doing business in Russia. The authors emphasize that now franchising is one of the most popular and progressive forms of business and is widely distributed in the West. Further, the authors reveal the basic concepts associated with this term and identifies the positive and negative sides of franchising.

***Keywords:*** franchise, business, franchisor, franchisee, trends, development prospects

An entrepreneur starting his own business needs funds, premises, equipment, consumables, inventory, etc. Small businesses « ... constantly face problems associated with growing competition, high investment levels, a long payback period,

and a shortage of resources» [4, p. 170]. The entrepreneur also needs a recognizable brand and customers. It is difficult for an aspiring businessperson to find it all at once, so most often he initially works at a loss.

One of the methods of doing business is franchising. Due to globalization occurs «...spread of information technologies and means of communication, the interdependence of financial markets and the unification of their participants ...» [3, p. 20]. A large number of shops, dry cleaners, restaurants and fast-food cafes, laundries, repair shops, business services, entertainment and health institutions, beauty salons, travel agencies and other enterprises, operating based on franchising opens around the world. The growing popularity of franchising, as a form of business organization, requires a detailed study of its features. It is worth considering what the advantages of this system are, whether there are disadvantages, how the positive and negative sides correlate and why it is advantageous to use the franchise in the small business sphere.

In simple terms, franchising is the «rent» of a certain brand or trademark, as well as the acquisition of the right to use all its expertise, technology, knowledge, and reputation for obtaining its own profit in the form of profit by entering into a specific agreement between the parties. The parties to the contract are the franchisor (seller of the franchise) and the franchisee (buyer of the franchise). In Russia, franchising is a relatively new form of relationship and in Russian legislation, there is no concept of franchising. Instead, «commercial concession» is used [2]. In legal terms, franchise relations in Russia are governed by a commercial concession agreement. Under a commercial concession agreement, one party (right holder) undertakes to give the other party (user) for a fee for a period or without a deadline right to use in the user's business activity a set of exclusive rights belonging to the right holder, including the right to a trademark, service mark, and other rights objects of exclusive rights stipulated by the contract, in particular, on a commercial designation, production secret (know-how) [1]. In addition, the contract specifies the payment of the cost of the franchise, which is carried out in two forms: a lump sum fee and royalties. The lump sum fee is a one-time payment of the franchise cost. Royalties are fixed

payments or payments as a percentage of the revenue or profit of the franchisee received in the process of using the franchise.

An entrepreneur, buying a franchise, undertakes certain obligations. For example, to produce products in compliance with the requirements for its quality and applied technologies, or to carry out activities in a strictly defined place according to the outlined scheme. He «...must be self-organized, be able to lead a team, clearly plan and achieve their goals» [5, p. 720].

The emergence of franchising dates back to 1851. The owner of a large company that manufactures sewing machines, Isaac Singer is considered the founder. He was the first to sell the right to service to independent firms the right to service, sell and repair their own products throughout the US. Due to this, Singer not only gave his product distribution to a large territory without much cost and effort, but also provided its after-sales service and revenue from the sale of franchises.

Now, franchising is one of the most popular and progressive forms of business and is widespread both in the West and in Russia. However, like any form of business, franchising has both positive and negative sides.

Such a system is most suitable for start-up entrepreneurs who are going to start their own business, but are not confident in their abilities. The franchise gives them the opportunity to get their own ready-made business, manage it and gain experience in the business sphere. In addition, there are such advantages of franchising as brand awareness, the absence of the need for large marketing expenses, minimal risks, and a sense of support. Franchisers are interested in maintaining and improving the image of their company, and therefore usually provide assistance to subsidiaries. Consultations, advice on doing business, learning the right management decisions – this is not the whole list of information services that franchisees can receive. You must select an interesting industry and examine its performance indicators before starting your own business. Before spending money, it is calculated how soon the investment will pay off and how much the products will be in demand in the market.

The disadvantages include the inability to use their ideas or innovations for doing business and the obligation to follow a clearly prescribed pattern. This kind of business ruins fresh ideas and does not allow the company to develop in a new direction.

The cost of a franchise is quite high. For its purchase will require a lot of money, and it is not known when they will pay off. Often, franchisees are forced to purchase raw materials and supplies from those suppliers who are appointed by the franchisor. The terms of such transactions are not always profitable. In addition, a minus is the narrow scope of activity. When acquiring a franchise and all that is attached to it (brand, trademark), it is necessary to conduct business in the direction indicated by the franchisor, without the right to change anything.

However, franchising, despite the presence of certain shortcomings, is an effective form of business organization, especially at the initial level, for entrepreneurs without special work experience or innovative schemes. Such a system allows you to reduce risks, get a recognizable brand and save a lot of effort and money on the promotion of a business.

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