

Franchising: advantages and disadvantages

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Annotation

Franchising has seen a boom recently. Anyone who is eagerly waiting to start a business of their own with the least risk, go for a franchise without a second thought. The present article is aimed at exploring franchising.

Keywords: franchising, franchise, company, retail chains

What is franchising? Franchising is simply a method for expanding a business and distributing goods and services through a licensing relationship.[1]

There are so many different franchises available. There are a list of the The Top 5 Franchises of the 21st Century[2].

The fifth is the RE/MAX LLC. Founded by Dave and Gail Liniger in Denver in 1973, RE/MAX is now a global network of more than 115,000 real estate agents in more than 100 countries and territories. The Linigers introduced an agent-centric model with high commission splits. In the RE/MAX system, agents are in charge of their own business, share office expenses and operate under a high commission concept.

The forth is The UPS Store. The first Mail Boxes Etc. store was opened in Carlsbad, California by Gerald Aul, Pat Senn and Robert Diaz, who designed it as an alternative to the U.S. Postal Service. In 2001, Mail Boxes Etc. became a subsidiary of UPS and began re-branding as The UPS Store in 2003. The UPS Store locations provide packaging, shipping, copy and print services, mailbox services, computer time rentals and more for small businesses and individuals. Franchises are located throughout the United States and in Canada.

The third is Dunkin'. In 1946, Bill Rosenberg founded Industrial Luncheon Services, a company that delivered meals and snacks to workers in the Boston area. The success of Industrial Luncheon Services convinced Rosenberg to start The Open Kettle, a doughnut shop in Quincy, Massachusetts. Two years later, The Open Kettle changed its name to Dunkin' Donuts.

Today, Dunkin' Donuts stores can be found in over 32 countries, and they serve 70 varieties of doughnuts, along with hot and cold coffee drinks, bagels, breakfast sandwiches and other baked goods. Dunkin' Donuts parent company, Dunkin' Brands Inc., also franchises Baskin-Robbins, and the two concepts are sometimes co-branded.

The second is 7-Eleven Inc. 7-Eleven's origins date back to 1927, when an employee of the Southland Ice Company in Dallas, Texas, began selling milk, bread and eggs in addition to the ice blocks. That employee, Joe C. Thompson, eventually bought the Southland Ice Company, turned it into the Southland Corporation, and began opening convenience stores. The first stores went by the name Tote'm, since

customers "toted" away their purchases, but in 1946, when the stores' hours were extended--from 7 a.m. to 11 p.m.--they got a new name. Although 7-Eleven stores are now open 24 hours a day, the name stuck.

And the first is McDonald's. Ray Kroc, a milkshake mixer salesman, ventured to California in 1954 to visit McDonald's hamburger stand, where he heard they were running eight mixers at once. Kroc was impressed by how rapidly customers were served and, seeing an opportunity to sell many more milkshake machines, encouraged brothers Dick and Mac McDonald to open a chain of their restaurants. Kroc became their business partner and opened the first McDonald's in Des Plaines, Illinois in 1955. McDonald's and the Golden Arches have since become an internationally-recognized symbol of quick-service hamburgers, fries, chicken, breakfast items, salads and milkshakes.

These companies are the best year after year because of the success of the company itself, as well as the success of the franchise owners.

As For franchising in Russia, it first came in the early 90s. The first franchises were primarily Italian and American restaurant chains. Later such brands as AlphaGraphics, Baskin Robbins, KFC, Papa John's, Pizza Hut, and Subway appeared.

There are some reasons for franchising in Russia. Firstly, geographic coverage and position. Secondly, significant interest by the Russian government in new business models. Thirdly, demand for foreign services and goods. Since franchising came to Russia only 18 years ago, it is still not developed at to its fullest. Franchising has a bright future in Russia.[3]

If you are planning for a well-to-do business, you should be aware of the pros and cons of franchising and then decide whether to start a franchise or not. Have a look of both sides of the coin.

As for advantages:

1. You can be your own boss. You are not answerable to anyone for the ups and downs of your business even if it is a shared business.
2. Your business is based on a proven idea. You can check how successful other franchises are before committing yourself.
3. You can use a recognised brand name and trade marks.
4. The franchisor gives you support - usually including training, help setting up the business, a manual telling you how to run the business.

Bur there are some disadvantages:

1. The franchisee will have to abide by the rules of the franchiser. For every decision that has to be taken the franchiser's consultation and approval is a must.
2. When there are too many franchises, decisions made by the franchiser can be biased.
3. Other franchisees could give the brand a bad reputation.

If you have found all the necessary qualities for success as a franchisee you should follow some steps.

Step №1. Market analysis.

Step №2. Communication with the franchisor and the franchisee.

Step №3. Negotiation.

Step №4. Valuation of financial opportunities.

Step №5. Selection of premises

For example, I want to go for a franchise.

Step №1. I should define with the scope of activities, discover the most complete directory of franchises and pick the right project. Catering facilities are always in demand that`s why I would like to choose a fast food area. For example, Sushi Wok.

Step №2. To make the right decision I should get comprehensive information about the selected franchise. For this, it is necessary to communicate with the franchisor.

I will ask a few questions about history of the brand, positive and negative experiences, payments, requirements, support and partners.

I will ask for the coordinates of the existing franchisees to ask a series of questions about his satisfaction and recommendations.

Step №3. Choosing a franchise is difficult, and so the next step is to get advice from a specialist in franchising. The consulting firm will be able to help me make the right decision.

Step № 4. The cost of franchise is four hundred twenty thousand. So, I should take a loan of four hundred twenty thousand and additional thirty percent.

Step №5. Selecting the premises is serious as the choice of the franchise. In the agreement on the terms, it is said that the area should be from 40 to 70 square meters.

Investment is 1.500.000. Franchisor of Sushi Wok says that monthly revenue is about 2-3 million rubles, so after 6 months I have fully repaid a loan.

The rapid growth of the franchise, which is observed almost all over the world, will continue. It is important to know that the buying a franchise option works best for individuals who work well in a team environment. Take the time to consider your options. Buying a franchise may be right for you.

References

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