

THE ROLE OF FRANCHISING IN BUSINESS: YESTERDAY AND TODAY.

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Abstract: *This article provides information on what franchising is, its role in business, its impact on the economy of business sectors, and periodic changes in franchising policy.*

Key words: *business management, linked house, European Community, advanced technology, franchisor, business projects, separate industry, multi-sectoral system, Coca-Cola.*

The word "franchising" is derived from the French word "franchise". means "privilege", "incentive", "tax exemption". Franchising has a history of more than two hundred years. It originated in the early 19th century (although similar relations which also existed in the Middle Ages), it refers to the "linked house" system used by British brewers. Coca-cola Company (from 1886), Omega Mobile Company (from 1911) and other famous firms worked in a scheme very close to franchising. Today, franchising is used in more than seventy forms of economic management. It is widespread in foreign practice and has gained a reputation as the most progressive form of business management. The franchise agreement is an independent form of legal regulation in more than 80 countries. Currently, it has several different types depending on the industry. Some people think of franchising as a separate industry, like a product or service, but a typical franchise represents a contract between a seller and a buyer. This agreement gives the buyer permission to sell the seller's goods or services. The buyer is called the franchisee, or franchisor, or franchisor, and the seller is called the franchisor, or franchisor. The International Franchise Association (International Franchise Association) defines it as follows: "Franchising consists of a continuous relationship between the franchisor and the franchisee, in exchange for the mutual satisfaction of interests, in which the franchisee provides all the knowledge, image, success, production and marketing methods" European Community The following definition of franchising is given in the regulation of the Commission No. 4087/88: "This industrial and intellectual property, which should be used for the purpose of selling products or providing services to the final consumer, trademarks and trade names, name, joint rights to copyrights, design developments, "know-how", patents" 73 The essence of cooperation under the terms of franchising or franchise is that one of the firms or enterprises to another firm or enterprise, so that legally and financially each of them remains independent and is a specific product. provides the

right to produce or sell or provide services in exchange for a share of profits or fixed fees. The following must be observed in cooperation under the terms of the franchise:

- firstly, partners have a single trademark, trademark, company name, etc. should be;
- secondly, it is necessary to have a unique style of advertising, sale of goods and provision of services, different from the style of existing competitors;
- thirdly, one of the partners, i.e. the franchisor, the other partner (franchisee) in the industry, trade, management, etc. in order to be able to minimize the cost of new technology acquisition and maximize the use of new technology. must have advanced technology or know-how.

In what areas can franchise be used? In Xalqfaro experience, there are three main areas of business in franchise terms: in the industrial sector. in the sphere of circulation of goods and in the sphere of services. In industry, it is carried out between production structures. Franchise construction developments. being the owner of patents, "know-how", technologies. gives the franchisor the right to use them and sell them within the boundaries of a specific territory. In the field of cooperation, mainly transnational companies that use this mechanism of cooperation, knowledge about their partners, national market specificities (specifications), their experience and working relationships, in order to enter new commodity transfer markets. they participate. Usually, this is done by commercial structures that have their own retail stores or rooms adapted for these purposes. Commercial activities are carried out on behalf of the franchisor. is a mandatory condition of such cooperation. The mechanism of cooperation in the field of services is basically comparable to that used in cooperation in the field of goods circulation. The difference is that the object of cooperation is not goods, but services of various characteristics. Cooperation on the basis of franchise was created in the USA and has the greatest spread. found there. In 1992, 7,000 people worked in enterprises and firms covered by this type of cooperation. In Western European countries, the first deals on franchise conditions appeared in the late 60s. In recent years, such conditions cooperation developed rapidly. For example, in Spain in 1995, the number of companies that received the right to work under franchise conditions was 25,500. The volume of sold goods and services is ~ 4.6 billion. It is valued at more than USD. In our time, a large automobile company has a collection of warehouses, regional shopping centers, huge transport services, i.e. a multi-sectoral system. is a wholesale-retail trade complex. Currently, in the world economy, small and medium-sized trading companies based on cooperation in franchise conditions are starting their activities in corporate business. Because entrepreneurship, first of all, is struggling with high-level commercial risks based on the development of the small, lack of experience of working in market conditions or insufficient. Management of modern business projects. marketing. requires extensive knowledge in the skill areas of accounting for advertising and project specifics. The development of effective schemes and methods of work in each specific case requires a lot of time and material costs.

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In the modern interpretation, franchising is a fairly mutually beneficial form of commercial interaction between a large, well-established company in the global or

domestic market and entrepreneurs aimed at rapid growth through the use of business reputation, know-how, and business experience of the franchisor. Currently, franchise companies operate in more than 70 sectors of the economy. The main exporters of franchises are the USA, Japan, Canada, Great Britain, Germany, Australia and France. The number of franchising companies (franchisees) around the world, according to the World Franchising Council (WFC), is approaching 1.5 million units. [8] According to Franchise Direct, in 2014, in general, there was an increase in the share of franchising in the global market, which directly and indirectly contributes to the reduction of post-crisis unemployment and GDP growth. [7] Thus, in the United States in 2015, an increase in jobs is expected by 162 thousand compared to 2014 due to the emergence of new franchisees. According to the World Intellectual Property Organization (WIPO), franchisors are expanding their presence in other countries in the following ways: - providing franchises to individual franchisees in countries of interest through headquarters and branches in other countries; - through the organization of subsidiaries representing the franchisor in another country; - by creating a joint venture with the participation of a company that has the knowledge necessary to provide the receiving party with the knowledge; - by concluding a general franchise agreement, giving the general franchisee the right to open franchise points in a certain territory and grant subfranchisees the right to operate the franchise with the further opening of franchise enterprises; - through the conclusion of agreements on territorial development, obliging the franchisee to organize a network of retail outlets in a pre-agreed territory for a certain period of time, thereby ensuring the promotion of the franchisor's goods or services in a given region. [3] Thus, there is an effect of mutually beneficial cooperation between the franchisor and the franchisee within the framework of the purchase and sale of a franchise. On the one hand, the entrepreneur gets the opportunity for active development; on the other hand, the franchisor company increases sales of its goods and services, expands its presence in various regions not only of one country, but also of the whole world. Note that it is necessary to take into account the difference between such an agreement and a license agreement, which is focused solely on providing the opportunity to use individual objects intellectual property while fully maintaining the independence of the parties in other areas. As part of the franchising scheme, a large franchisor company with a strong market position and a well-promoted brand, in order to expand its sales network, enters into an agreement with a small independent company (franchisee) for the production and sale of strictly specified types of goods and services that meet the quality standards of a large company. In this case, we are talking, first of all, about business franchising, in which the franchisor offers a model of business organization that has already been tested in practice, i.e. a copy of an already successful business is offered. In addition to business franchising, other types of franchising are known: product, production, and service franchising. [5] Thus, in the case of product franchising, the franchisee receives the right to sell goods produced under the brand of

the franchising company. In this case, most often the franchisee has the right to after-sales and warranty service for the product.

The franchise agreement strictly regulates sales technology, the range of services and goods, and clear rules for using the manufacturer's trademark. If a franchisee purchases commercial equipment from a manufacturer, the franchisor provides him with financial support, provides advertising technologies, and trains employees. The franchisor receives remuneration in the following forms: - one-time payments (starting price of the franchise), in value terms; - royalties, that is, regular payments from a business (in the form of a percentage of sales). As part of industrial franchising, the company that owns the patent for the production technology of a product transfers to the franchisee the right to manufacture and sell products under its brand name. In addition to the production patent, the franchisor company transfers to the second party raw materials and exclusive ingredients that only it produces using secret technologies. The contract stipulates clear requirements for the production process, volume of products, their quality, and sales plans. Personnel qualifications and reporting forms are also regulated. The franchisor supplies equipment on preferential terms, trains staff, organizes production, and carries out advertising. A striking example of manufacturing franchising is the Coca-Cola company. This company has been successfully using franchising in its business for quite a long time, and is proud of the concentrates of its drinks, invented back in 1899. The company's effective marketing policy has made it possible to bring the consumer and the drink manufacturer as close as possible on mutually beneficial terms. The Coca-Cola company keeps the technology for producing its concentrates secret, supplying them to franchisees for bottling and distribution under the company's brand. This leads to a significant reduction in costs, in particular for transportation of products. In service franchising, the franchisee receives the right to provide certain services under the franchisor's trademark. The franchisor provides the franchisee with equipment, advertising and marketing technology, and controls the activities of the franchisee company. INTERNATIONAL SCIENTIFIC JOURNAL "SYMBOL OF SCIENCE" No. 3/2016 ISSN 2410-700X 157 The most popular areas of business where franchising is especially actively used are retail chains (primarily sales of clothing and shoes), gas station chains, and beauty and health industry enterprises. Gradually, franchising penetrates into other economic spheres. In domestic legislation, the concept of "franchising" is not used, however, the relations implemented within the framework of the relevant agreements are largely similar to a commercial concession agreement, legal relations under which are regulated by civil law. Experts point out the similarity of a franchising agreement with a commercial concession agreement, although significantly more rights are transferred within the framework of a franchising agreement. [6] The advantages of franchising can be considered, first of all, the possibility of fairly rapid growth for small companies that have not created their own well-known brands and with a limited sales network. In addition, for well-known franchisor companies, this scheme allows them to reduce the volume of unfair copying

of their brands by other manufacturers, bringing in significant income from the sale of franchises. The disadvantages of franchising are that the franchising company is forced to spend significant organizational and financial resources to ensure the quality of products and services from the franchisee. For the company acquiring the franchise, such a scheme introduces significant restrictions and partially deprives it of independence in organizing production and in the principles of marketing policy, which will certainly affect the company's development strategy. In general, franchising allows a business to: - improve the overall culture of entrepreneurship; - strengthen legal security and protection of small businesses; - increase employment of the country's population; - strengthen the innovation component in the small and medium-sized business segment; - increase the effectiveness of positive government influence on the development of certain types of activities and on small businesses in general; - build a comprehensive system of practical training for small businesses without creating any special educational structures and programs; - attract significant foreign investment into the domestic economy.

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