ADVANTAGES OF FRANCHISE SYSTEM FOR DEVELOPMENT OF ENTREPRENEURSHIP

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Abstract: Franchising is considered the most successful marketing concept around the world. Today, many franchises are offered, and it is incomparably easier and more secure to develop entrepreneurial spirit under the patronage of the already developed system. Franchise is called long term, firm contractual cooperation between independent companies or entrepreneurs, franchisor and franchisee, where the franchisor provides the franchisee with a set of knowledge and gives it its brand. The number of franchise systems in the world is rising, and competition compels the franchisee to search for new and attractive offers. The largest number of franchises exists on the United States market, the number of employees in this market is in arrears, and achieves the high GDP measured in billions of dollars. In the United States are represented all kinds of franchise systems, from the automotive industry, restaurants, education, beauty salons to new forms of work from home. Canada is the second largest in franchising, many forms have been developed that place the franchise at the very top of economic business. In Europe, the less developed countries, such as Poland, the Czech Republic, Hungary, Bulgaria, etc., are developing more and more domestic brands and striving towards the conquest of international markets. New models of franchised business such as home-based franchises are being developed to allow most people to work from home. The application of the franchise system in our country would significantly contribute to the development of the domestic market. The future success of franchising in Serbia depends on the ability to innovate, improve the size of the site, provide education to interested small and medium-sized enterprises and entrepreneurs. Looking at all these countries and different markets, one can conclude that franchising is less developed in weaker economies, while economically more developed markets achieve even greater expansion in the form of GDP, employment, education, institutions. If each country awakens awareness of the value of franchising as a good technique for enterprises and entrepreneurs, it will open the possibility of expansion franchising to international markets, through marketing, social networks and the Internet. What is important is that this type of franchising is developing in our country and in this way it is slowly focusing on international markets. In franchising, the risk of business failure when starting a business is significantly lower than when starting a stand-alone business. Franchising is a way to use a proven, more successful, business model in a personal business, thereby reducing the likelihood of failure. The franchisee still continues to act substantially with his own resources, at his own risk, but under a different name. A well-known and famous brand is an additional guarantee for greater recognition and an automatically higher number of consumers. Franchising is a shortcut to a more successful business success. In the future, banks are expected to pay more attention to the financing of franchising, as both franchisees and recipients are referred to banks that receive the role of checkpoints and mediators.

Keywords: franchise systems, business model, franchisee, franchisor, entrepreneurial spirit

1. INTRODUCTION

Most people have no entrepreneurial spirit and ideas to create new products and services. As it is always easier to start a job that has already been developed and well-known to the users, people are increasingly choosing franchises. Today, many franchises are offered, and it is incomparably easier and more secure to develop entrepreneurial spirit under the auspices of the already developed system. Franchise is called a long, solid contractual collaboration between independent entrepreneurs, franchisor and franchisee, where the franchisor provides the recipient with a set of knowledge and gives it its brand. Franchise systems can be classified in different ways and by different criteria, but they are fundamentally different according to the type of knowledge that is passed on to franchisees, type of activity or organization of the system. The ideal partner of the franchisee is a local entrepreneur who has recognized the requirement for a particular product in his area. Opening under the franchise is a guarantee of success, as the entrepreneur skips several initial
steps and does not repeat the mistakes made by the franchisor at the beginning of the business. All in all, the franchisee reveals the secret of successful business and saves time and other resources to the franchisee. Franchising allows the franchisor to appear on a market that can not or does not want to appear on its own. In this way, the franchisor ensures the expansion of its brand, increase in market share and entry into new markets without investments. It also maintains control over competition as well as franchise business. The biggest drawback for the franchisor is the problem of ensuring quality control and operational standards.

2. FRANCHISING IN A MODERN WORLD

Entrepreneurs and small and medium-sized enterprises (SMEs) - benefiting from the conclusion of a franchising agreement and the granting of certain fees, acquire the right to use the franchisor brand and business concept using their own resources. Franchise system is the most popular business model in the world. For example, the US market is very large and that is why the number of franchises is high, but also because of the developed economy, the largest number of franchises are coming from the United States. The first franchise in the United States was started by Isak Singer, about a century ago, and he created a sewing machine and expanded the business by selling licenses for entrepreneurs located in different regions.

Franchising in international trade is a special business arrangement between independent enterprises from different countries, where a well-known enterprise with products of a famous brand and with the original systems of distribution and placement of goods and services appears as a franchisor, while as beneficiaries appear enterprises with no image, poor financial strength and low market share. [3]

Enterprises that have achieved great success in the domestic market are always considering the option of expanding the franchise abroad. In business practice, franchising of goods, services and production franchising is distinguished. Any successful company that intends to grow and expand should take franchise as a potential for expansion. The advantages that this system provides are numerous, and one of the key is the use of other people's resources to open up their new outlets, which means that business can be expanded faster with the highly motivated people who will run those outlets. At the same time, the costs of managerial staff in administration and field will be lower compared to the costs for running their own network. For many, buying a franchise was the foundation of wealth, although it was preceded by a great deal of work, the investment of knowledge, money, and etc. The first step is to transform the business concept into a franchise package and develop a franchisee network.

<table>
<thead>
<tr>
<th>Region/economy</th>
<th>Franchise systems</th>
<th>Number of outlets (Thousands)</th>
<th>Sales ($ billion)</th>
<th>Employees (Thousands)</th>
<th>Cross-border (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>30000</td>
<td>2640</td>
<td>2480</td>
<td>19940</td>
<td>15</td>
</tr>
<tr>
<td>Developed economies</td>
<td>12200</td>
<td>1310</td>
<td>2210</td>
<td>12400</td>
<td>10</td>
</tr>
<tr>
<td>Europe</td>
<td>7700</td>
<td>370</td>
<td>340</td>
<td>2830</td>
<td>20</td>
</tr>
<tr>
<td>Japan</td>
<td>1200</td>
<td>230</td>
<td>250</td>
<td>2500</td>
<td>5</td>
</tr>
<tr>
<td>United States</td>
<td>2500</td>
<td>630</td>
<td>1480</td>
<td>6250</td>
<td>5</td>
</tr>
<tr>
<td>Developing/transition economies</td>
<td>1740</td>
<td>1330</td>
<td>270</td>
<td>7540</td>
<td>30</td>
</tr>
<tr>
<td>Azia</td>
<td>11200</td>
<td>1070</td>
<td>170</td>
<td>4810</td>
<td>25</td>
</tr>
<tr>
<td>Africa</td>
<td>1600</td>
<td>40</td>
<td>30</td>
<td>550</td>
<td>70</td>
</tr>
<tr>
<td>South-East Europe and the CIS</td>
<td>800</td>
<td>30</td>
<td>5</td>
<td>370</td>
<td>50</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>3800</td>
<td>190</td>
<td>70</td>
<td>1810</td>
<td>20</td>
</tr>
</tbody>
</table>

Franchising does not have the national borders, and it allows the expansion of the already applied economic systems and the increase in market coverage in international and global terms. The importance of the franchise is mostly reflected in the fact that it enables the formation of a large number of business units in a relatively short period of time, as capital required to open up is provided by the franchisor.

The franchisee pays several types of fees. The most common are the lump-sum fees payable at the time of the contract, and the other is franchising royalties and paid during the duration of the contract. The franchise-based payment arrangement is similar to the payment scheme in the licensing arrangements, so that the franchisee pays that initial fee and the proportionate sales or revenue to the franchisor. [4]

As certain disadvantages of franchising are stated the relative dependence of the franchisee on the franchisor, the restriction of the competitor’s freedoms, the inequitable participation in decision-making and the high level of obligations. Nevertheless, many advantages make franchising extremely interesting and useful.

Entry into entrepreneurship through a franchise is an entry into one's own business, but not an indulgence for oneself. Research has shown that starting a business in the franchise system rarely fails, and when this happens, this is most often because the franchisee has not kept the system of work and procedures.

Franchising is a very widespread form of business around the world, as it encourages entrepreneurship and employment, while in Serbia it is not developed to such an extent that in the EU there are about 7,700 franchised companies with over 400 thousand outlets.

The number of franchise systems in the world is rising, and competition compels the franchisee to search for new and attractive offers. The largest number of franchises exists on the United States market, the number of employees in this market is in arrears, and achieves the high GDP measured in billions of dollars. In the United States are represented all kinds of franchise systems, from the automotive industry, restaurants, education, beauty salons to new forms of work from home. Canada is the second largest in franchising, many forms have been developed that place the franchise at the very top of economic business. [2] In Europe, the less developed countries, such as Poland, the Czech Republic, Hungary, Bulgaria, etc., are developing more and more domestic brands and striving towards the conquest of international markets.

Portal FranchiseDirect.com have made the list of the most successful franchises in the world annually and for years this list is more or less the same, since the first places are fast-food chains that have been in the forefront for many years, mostly those established in the United States.

**Table 2 – Top 10 Global Franchises 2018**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Country</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>McDonald’s</td>
<td>SAD</td>
<td>Fast Food Franchises</td>
</tr>
<tr>
<td>2.</td>
<td>KFC</td>
<td>SAD</td>
<td>Chicken Franchises</td>
</tr>
<tr>
<td>3.</td>
<td>Burger King</td>
<td>SAD</td>
<td>Fast Food Franchises</td>
</tr>
<tr>
<td>4.</td>
<td>Pizza Hut</td>
<td>SAD</td>
<td>Pizza Franchises</td>
</tr>
<tr>
<td>5.</td>
<td>7 Eleven</td>
<td>SAD</td>
<td>Convenience Store Franchises</td>
</tr>
<tr>
<td>6.</td>
<td>Marriott International</td>
<td>SAD</td>
<td>Hotel Franchises</td>
</tr>
<tr>
<td>7.</td>
<td>Re/Max</td>
<td>SAD</td>
<td>Real Estate Franchises</td>
</tr>
<tr>
<td>8.</td>
<td>Dunkin’ Donuts</td>
<td>SAD</td>
<td>Bakery &amp; Donut Franchises</td>
</tr>
<tr>
<td>9.</td>
<td>InterContinental Hotels and Resorts</td>
<td>Engleska</td>
<td>Hotel Franchises</td>
</tr>
<tr>
<td>10.</td>
<td>Subway</td>
<td>SAD</td>
<td>Sandwich &amp; Bagel Franchises</td>
</tr>
</tbody>
</table>

Source: [www.franchisedirect.com][6]

McDonald’s is one of the most famous brands around the world. Certainly does not exist the most famous chain of fast food restaurants. It was founded in 1948, by brothers Richard and Morris McDonald in California. The chain began to expand only in 1955, when entrepreneur Reek Crock urged McDonald’s brothers to open more restaurants, which today constitute the world’s largest restaurant chain with about 30,000 outlets. This chain then made a blend of fast food, quality services and, above all, low prices. [10]
There are 26 Mc Donald's restaurants in Serbia, of which there are 16 restaurants in Belgrade. They have developed a true partnership with domestic suppliers. Many of their suppliers have developed and expanded their business just by working with Mc Donald's. More than 50% of all foods used to prepare a meal are purchased in Serbia. [9] Mc Donald's has been operating in Serbia for almost thirty years and has since become an example of a company that is unique not only in consistently implementing and applying standards and principles, insisting on quality in every business segment, but also by the way in which takes care of the needs and development of its guests and employees.

3. BENEFITS OF THE FRANCHISE SYSTEM
Franchising is a successful business concept that enables entry into foreign markets and internationalization of business. In its expansion, franchising as a new business model comes to our premises. In Serbia, there are plenty of opportunities to develop franchising, but on the other side, this field is still insufficiently explored, so it is necessary for existing entrepreneurs and large enterprises to become familiar with the benefits of franchising as a business expansion model.

For franchisor, there are many advantages that can be achieved by entering into a franchise:
- establishing brand recognition. One of the strongest reasons for franchising, given that consumers value the brand, and brand recognition is accelerated when expansion goes through franchising;
- rapid market expansion;
- lower costs of procurement, equipment, promotions due to the purchase of large volumes;
- reduction of business risk - eventual failure is borne by the franchisee, even the franchisor can have financial consequences;
- benefits from local knowledge;
- greater motivation (from the status of an employee to the status of the owner) – The franchisee is more motivated in solving the problems of the employees in the enterprise because it is an own investment. [1]

Franchise business today would not have reached such a situation that franchisees did not see the benefits of joining franchise systems. The most important advantages for franchisees are:
- less investment;
- less risk in business;
- the lack of knowledge and experience can be compensated by the training of the franchisor;
- use of a successful and well-known business name and reputation;
- less initial capital is needed to start operations;
- group facilities for procurement;
- less risk of failure;
- standard quality of products is offered through a certified system of operations;
- help with site selection as well as any other assistance before and during business;
- protection from competition. [1]

The actuality of this topic is testified to the fact that this is a concept that greatly contributes to the development of the economy and entrepreneurship itself. This is of particular importance for countries such as Serbia that meets with a high rate of unemployment and a transition process, bearing in mind that the franchising systems influence the opening of new jobs and the engagement of domestic capital.

4. CONCLUSION
Franchising does not have the national borders, and it allows the expansion of the already applied economic systems and the increase in market coverage in international and global terms. The importance of the franchise is mostly reflected in the fact that it enables the formation of a large number of business units in a relatively short period of time, as capital required to open up is provided by the franchisor.

Under the influence of modern business trends and an rapid way of life, consumers are determined for franchise locations in order to avoid unpleasant surprises and disappointments, since famous brands of restaurants, hotels, retailers, wholesale, etc. represent a guarantee of quality. As the brand's value affects the loyalty of consumers and the financial strength and market position of business entities, membership in the franchising system lowers the bad business to a minimum. There is no doubt that the business in the franchise system improves the starting position of an entrepreneur who is a beginner.

Entry into entrepreneurship through a franchise is an entry into one's own business, but not an indulgence for oneself. Research has shown that starting a business in the franchise system rarely fails, and when this happens, this
is most often because the franchisee has not kept the system of work and procedures. In the first year, the franchisee is 30% more successful, while after the fifth and tenth years this percentage is up to 70%. In franchising, the risk of business failure when starting a business is significantly lower than when starting a stand-alone business. Franchising is a way to use a proven, more successful, business model in a personal business, thereby reducing the likelihood of failure. The franchisee still continues to act substantially with his own resources, at his own risk, but under a different name. A well-known and famous brand is an additional guarantee for greater recognition and an automatically higher number of consumers. Franchising is a shortcut to a more successful business success. In the future, banks are expected to pay more attention to the financing of franchising, as both franchisees and recipients are referred to banks that receive the role of checkpoints and mediators.

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