

## **FRANCHISING AS A FORM OF BUSINESS ORGANISATION**

Nowadays, the most common forms of business organization in international hospitality practice are management through a franchising agreement, a contract, or a lease. Franchising is a popular tool for business development, that is preferred by many companies around the world.

Therefore, it is advisable in these theses to determine the main characteristics of franchising, identify the main advantages and disadvantages, name examples of franchising in the world and in Belarus in particular. Franchising is defined as a marketing method in which the owner of a product, known as the «franchisor,» offers the right to operate and manage his product to others, the «franchisees,» in return for a fee and ongoing royalty payments [1]. A franchisor provides to the franchisee not just its trade name, but an entire system for operating the business. The franchisee receives development support, training, brand standards, a marketing strategy, etc. [2].

The legal relationship is secured by the signing of an agreement, that outlines rules for running the franchise and financial terms [3]. It can be terminated, if there are no payments or it is impossible to achieve the required standards. The main advantages and disadvantages of franchising are listed in table.

**Advantages and disadvantages of franchising [4]**

Advantages for the franchisor	Advantages for the franchisee
<ul style="list-style-type: none"><li>● Expansion of influence</li><li>● Obtaining several sources of income</li><li>● Ability to open business in multiple locations</li></ul>	<ul style="list-style-type: none"><li>● A greater chance of succeeding</li><li>● Ongoing support in different areas</li><li>● Adopting a proven business model</li></ul>
Disadvantages for the franchisor	Disadvantages for the franchisee
<ul style="list-style-type: none"><li>● Loss of ownership and territory</li><li>● Divulging confidential information</li><li>● The risk of loss of reputation due to the franchisee</li></ul>	<ul style="list-style-type: none"><li>● Lack of independence</li><li>● High costs for the services and control</li><li>● Long-term growth</li></ul>

Currently, the largest franchising companies in the hotel industry are «Hospitality Franchise System», «Choice Hotels International», «Holiday Inn Worldwide», in the restaurant business — «McDonald's», «Burger King», «KFC», etc.

In Belarus the first agreement was registered in January 2006. Nowadays, there are various franchises on the market («Mark Formelle», «Kommunarka», etc.), retail trade is a popular area for business develop-

ment [5]. Some international hotel chains are represented on franchising terms («Marriott International», «IHG»). In the restaurant business there are franchises «Garage», «Coffee Sound», «Cinnabon», etc.

In this way, franchising has advantages and disadvantages, but this form of business management is still one of the most promising and popular. Statistics and practice show that, in general, franchising relationships develop successfully and opening a franchise is a less risky way to start a business than to do it from scratch. Therefore, franchising is a fairly effective form of management, which is chosen by both global and Belarusian companies.

## References

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