Franchising as a tool for sustainable regional development

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Abstract. One of the instruments of regional management of retail trade networks on this stage of development in the world economy, in our opinion, there is franchising. Actuality of his implantation in a regional economy consists in that franchising can execute the row of such important functions, as development of regional enterprise, creation of workplaces, increase of tax payment in local budgets, stimulation of development of regional producers, including of various industries to the economic clusters of a region.

Keywords: enterprise, franchise, retail, region, regional economy.

JEL Codes: F18, L26, M29, R13.

1. Introduction

Using the franchise, first in the United States and in most countries of the world community has changed the fate of thousands of companies and tens of millions of people. Today there are 18,000 franchisors in the world and more than 2 million franchisees. The leading countries of the franchise are the USA, Germany, France, UK, Canada, Korea, Japan, Australia.

Franchising is developing in different regions in different ways, depending on the country, customs, culture, socio-economic characteristics, degree of development. Commercial organizations in some countries prefer franchising in service (UK, Germany), others - in trade (France) [1].

Franchising is a new industry in the central and south-eastern European countries. Leaders in introduction of the franchise systems in this region are the Czech Republic and Hungary, Poland, Romania. In these countries, there are relatively high rates of franchising in the retail trade and services. Among the countries of former Soviet Union of most success with inculcated to franchising Russia and Ukraine attained in industry of retail business. It is successfully used not only on Western franchise projects, but locally too.

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2. Literature overview

The study of franchising as a form of business in a large number of works by academic economists, especially given the problems studied: J. Delta, F. Kotler, J. Lambe, M. Mendelson, S. Shane, O. Korolchuk, V. Ljashenko, E. Maltsev, V. Shkromada, A. Tsyrat, N. Kovalchuk, N. Shyrobokov, V. Shkromada, V. Ljashenko, D. Zemlyakova, M. Makashev, S. Sosna, E. Fynko, K. Frumkin and others.

In our opinion, the main focus of their studies has been on the relationship between franchisor and franchisees, as well as the advantages and disadvantages of receiving the participants at the conclusion of contracts of franchising agreements (micro level), while both in their focus remains extremely important aspect research, including the impact of franchise relations on socio-economic and environmental development of the region and to ensure its security (meso level).

Therefore, in our work we consider it appropriate to investigate this issue as a whole from a position of sustainable development in the region and in the light of the formation of regional networks of retail trade establishments, as an important part of the process.

G. Jones believes that the franchising for the region's economy has at least three effects, including: multiplier, emergent and social.

In particular, it considers the multiplicativity appears when franchise, emerged as a result of a new technologies and techniques, is converting an employee to an independent entrepreneur - the owner, the chain extends to all stages of reproduction, grows and multiplies as we transition to distribution, exchange and consumption.

Emerdzhentnist sold as high-quality novelty effect of franchising, whereby its value exceeds by far the sum of the arithmetic result of ordinary activities without additional material and money. This effect is an integration effect and occurs not only locally, but also to the entire franchise of the system, increasing its productive force.

Social effects are expressed in increasing meaningfulness of work, employee awareness of their creative possibilities, personal income growth, independence, providing better quality services.

The author argues that together, all these effects franchising as a kind of socio-economic multiplier, giving impetus to the development of all levels of business activity and contribute to meeting the personal, collective or public interest [2].

It should also be noted that the development of franchising plays an important role in ensuring economic security of the region, in particular in support of small business.

Also, according to B. Nuraliyeva, in an increasingly competitive market economy and globalization, the franchise makes it possible to increase the effectiveness of small business and to compete with international and domestic large corporations also gives a chance to bring a significant number of regional
brands and technologies at national and international level.

Also, according to the author, franchising mechanism acts fast animation and implementation of technological innovations, attracting high-tech businesses thousands of businesses and hundreds of thousands of skilled professionals.

A similar view is shared by researchers such as V. Cherenkov and M. Svytikova who think that franchising is one of the most common channels of innovative knowledge transfer [3].

In support of this assertion, S. Mahnusha believes that through franchising not only shuttle (transfer), but also diffusion (spreading) process, marketing and organizational innovation. In addition, it considers innovation produced by renowned producer name, a priori has a high chance of success. The costs to promote a "branded" innovation market will be relatively lower [4, p. 30].

Increased efficiency of franchise systems through innovation, notes Korolchuk A. [5]. Thus, the results of his research showed that in any franchise system quickly reduced time intervals between innovative technologies that are changing, and from technology to technology, from product to product franchising increases efficiency through the implementation of modern innovative technologies.

In addition, the researchers argue the importance of technology franchise for the region's economy in a downturn to be used as an effective tool for overcoming the crisis [6].

It should prevent that the implementation of franchising in the organization of business relations can contribute not only in addressing the socio-economic problems of the regions, but also environmental, in the light of the paradigm of development in accordance with the principles of sustainability is of paramount importance. Thus, according to N. Andreeva, V. Kozlovtseva the use of franchising to introduce new production technologies will significantly improve product quality and environmental friendliness [7].

They believe that Ukraine should actively implement the following forms of environmental franchising: marketing franchise, service franchise, business franchise, franchise conversion, remote franchise, franchise expanded, combinational franchise, mixed franchising, franchise of distribution product.

**3. Franchising and regional development**

Thus, the above study has views of scientists on the impact of franchising on the socio-economic and the environmental development of the regions shows that this form of business organization is optimal for its development, as it satisfy on the one hand the interests of contractors franchise agreements (franchisor and franchisee) the other promotes regional development based on sustainability (Figure 1).
In spite of the research of economists to highlight the importance of the role of franchising for the socio-economic and environmental development of the regions, we believe that the study of this issue is in the early stages. Thus, we believe that today the role of franchising in the retail industry is understudied, including its impact on social and environmental focus of regional retail sales networks. For this purpose, we have analyzed the functioning of forty five retail establishments owned franchise compared with twenty-two similar institutions belonging to the franchisor and thirty-five independent retail establishments that are not related to any of the retailers. The sample includes trade schools that were located within the city, with approximately equal of trade zones.

When comparing indicators that reflect social and environmental orientation franchised and independent sales organizations, it was found that commercial organizations that work on franchising agreements wages are higher by 11,01% and employee turnover lower by 44,49% (Table 1).
Table 1: Comparison of indicators that reflect social and environmental orientation franchised and independent sales organizations

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Franchise of the trade organizations</th>
<th>Independent of the trade organizations</th>
<th>Divergency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average monthly wage</td>
<td>2520 UAN</td>
<td>2270 UAN</td>
<td>11.01%</td>
</tr>
<tr>
<td>The level of staff turnover</td>
<td>25.20%</td>
<td>45.40%</td>
<td>-44.49%</td>
</tr>
<tr>
<td>Share of passing an annual medical examination at the expense of trade organizations</td>
<td>95.50%</td>
<td>24.30%</td>
<td>293.00%</td>
</tr>
<tr>
<td>The introduction of resource-saving technologies</td>
<td>64.20%</td>
<td>21.20%</td>
<td>202.83%</td>
</tr>
<tr>
<td>Anthropogenic load (power electricity) KW / m2</td>
<td>45.4</td>
<td>60.2</td>
<td>-24.58%</td>
</tr>
</tbody>
</table>

Source: compiled by the author

The reason for this, in our opinion, would be the impact of several factors, including: higher economic efficiency in the functioning of franchising trade organizations - to make payment of wages to a greater, the best level of management - provides an understanding employee turnover to performance trade agency functioning and allows to develop programs to reduce it. Proof of this is the ratio of workers who are annually medically examined at the expense of trade organizations in which the franchisee is the highest almost four times.

From Table 1, we can see that the level of implementation of resource-saving technologies, which was calculated on the basis of energy-saving lighting and modern refrigeration equipment, commercial establishments in franchise organizations is three times higher than that of in independent trade organizations that ultimately provides them with lower power consumption by 24.58%.

4. Conclusions

In our opinion, based on such a significant differentiation of these indicators in commercial organizations operating on the basis of franchise and independent retailers, franchising is today one of the most effective channels of knowledge transfer for innovation that provides franchise organizations "diffusion" of innovations between franchisor and franchisee and providing them with on the one hand a
competitive advantage on the retail market, on the other hand it promotes socio-economic and environmental development of the regions on the basis of sustainability.

So, we can see that the franchise is one of the effective tools for regional management, which in its effective use helps in ensuring regional development based on sustainability.

5. References (Endnotes)


