

CATERING FRANCHISES IN THE CITY OF KRASNOYARSK

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The largest world companies such as Mc Donald's, Subway, 7-eleven, SPAR have used franchise during decades. They will not be so successful today without franchise. For example, more than eighty per cent of Mc Donald's restaurants are franchise.

The franchise as way of small business's development is too needed in Russian regions. The development of franchise in Siberia is not only new workplaces and additional taxes but this is the formation of modern trade, the raise of service quality and a new level of enterpriser's activity.

There are a lot of public catering enterprises in Krasnoyarsk, which work with franchise system. These companies are the fast food restaurants KFC and Subway, Italian restaurants IL patio and MamaRoma, and bakery Cinnabon.

The purpose of this research is to consider catering franchises in the city of Krasnoyarsk. Within the framework of this research we tried to solve the following problems:

- to consider franchise as an economic phenomenon;
- to analyze franchise enterprises in Krasnoyarsk;
- to consider possible advantages and drawbacks catering franchises for the economy of the country .

Franchising is the practice of selling the right to use a firm's successful business model. The word 'franchise' is of Anglo-French derivation - from *franc* - meaning free. For the franchisor, the franchise is an alternative to building 'chain stores' to distribute goods that avoids the investments and liability of a chain. The franchisor's success depends on the success of the franchisees. The franchisee is said to have a greater incentive than a direct employee because he or she has a direct stake in the business.

Essentially, and in terms of distribution, the franchisor is a supplier who allows an operator, or a franchisee, to use the supplier's trademark and distribute the supplier's goods. In return, the operator pays the supplier a fee.

Mid-sized franchises like restaurants, gasoline stations and trucking stations involve substantial investment and require all the attention of a businessperson.

There are also large franchises like hotels, spas and hospitals, which are discussed further under technological alliances.

Two important payments are made to a franchisor: (a) a royalty for the trademark and (b) reimbursement for the training and advisory services given to the franchisee. These two fees may be combined in a single 'management' fee. A fee for "disclosure" is separate and is always a "front-end fee".

A franchise usually lasts for a fixed time period (broken down into shorter periods, which each require renewal), and serves a specific territory or geographical area surrounding its location. One franchisee may manage several such locations. Agreements typically last from five to thirty years, with premature cancellations or terminations of most contracts bearing serious consequences for franchisees. A franchise is merely a temporary business investment involving renting or leasing an opportunity, not the purchase of a business for the purpose of ownership. It is classified as a wasting asset due to the finite term of the license.

Franchise fees are on average 6.7% with an additional average marketing fee of 2% ^[7]

A franchise can be exclusive, non-exclusive or 'sole and exclusive'.

Although franchisor revenues and profit may be listed in a franchise disclosure document (FDD), no laws require an estimate of franchisee profitability, which depends on how intensively the franchisee 'works' the franchise. Therefore, franchisor fees are typically based on 'gross revenue from sales' and not on profits realized.

Various tangibles and intangibles such as national or international advertising, training and other support services are commonly made available by the franchisor.

There are several franchised catering businesses in Krasnoyarsk. KFC is American chain of fast food restaurant, which is specialized in dishes prepared from chicken meat. The first restaurant started working in Russia in September, 2011. There are 160 such restaurants in Russia and only 3 in Krasnoyarsk. According to the official statistics, the Krasnoyarsk franchise restaurants earned about \$10, 000000 in 2012 .

Cinnabon is a chain of American baked goods stores and kiosks, normally found in areas with high pedestrian traffic such as malls and airports. The company's signature item is a large cinnamon roll. The first bakery was opened in Russia in 2009. Cinnabon was the most fast-growing company in Russia in 2011. In accordance with Forbes, Cinnabon's franchise took the first place among cafes and restaurants in Russia in profitability of investments. Sales made more than \$900, 000000 in the same year.

IL patio is a classic Italian restaurant that offers a generous menu, which quite comprehensively represents splendid Italian cuisine. Its franchise in Russia could earn about 10,5, 000000 rubles. In 2012 16,4 million people visited this restaurant in Russia.

Subway is one of the world's fast food leaders and the subway's sandwiches are more healthier than fat food, which is cooked from semi-products. The subway's global mission is to be the number one in service and their restaurant's development. One franchise restaurant in Krasnoyarsk could earn about 24, 000000 rubles a year.

There is one more franchise Italian restaurant MamaRoma has in Krasnoyarsk. This restaurant has a homelike Italian cuisine where you can taste traditional dishes from Italian regions. There are about 9-12 thousand visitors a month and it could earn 25, 000000 rubles a year.

The franchise of popular public catering establishments earned a lot for their new owner. However, how does it affect the country economy and economy of Krasnoyarsk? The largest part of income outflows abroad for the account of franchise. For example a new franchise owner of KFC should pay \$48 thousand initially and then pay 15 % monthly.

One more problem is competitiveness between franchise and domestic small business restaurants. Customers prefer the world popular restaurant to a new café without the name. This fact is negative for the development of small business of the territory.

Communities have strict regulations regarding health and food safety. Fast food franchisers expect this, so part of your training includes understanding the building codes and zoning issues you'll face and the permits you'll need. If your franchise company doesn't provide this training, sign up with someone else!

Food businesses rely on low wage employees. However, this also means you should expect a lot of turnover. You should assume that hiring and training costs would be a regular part of your fast food franchise budget. It takes a lot of work to run a fast food restaurant-hiring and training employees, caring for equipment, taking in and disposing of perishable food, and of course, making sure your customers are satisfied. Most fast food franchisees can expect to put in more than an eight-hour day, and to go home with the smell of the kitchen clinging to their clothes.

Before you sign on to run a fast food business, be sure to evaluate the pros and cons of this kind of business. Do some soul-searching to determine if this is the right kind of franchise for you. If you're sure that this is what you want-then go for it!