



ABOUT THE FRANCHISING HOTELIER SYSTEM

ISAC Claudia, NIȚĂ Dorina

UNIVERSITY OF PETROSANI, ROMANIA

ABSTRACT:

Franchising represents a strategic alliance between two partners who want to develop together a business. Franchising is a license which permits to its concessionaire to commercialize products or services, using the product's mark or the factory owner's mark, which allows him to transact for himself, but not through himself. Franchising system is by different types: production franchising, service franchising and distribution franchising. The commercialization in franchising system registered the quickest development in the retail commercial activity all over the world.

KEYWORDS:

Franchising, distribution franchising, business relations

1. INTRODUCTION

The first germs of franchising system was outlined in Great Britain in the XVIII century in the area of beer's production and trade and this type of organization is assimilated to a rent mark form.

The franchising represents a strategic alliance between two partners who want to develop together a business. The aim of business is to earn money respecting the conditions of a previous certain contract. The development of franchising systems, continued especially in America after the Second World War, when many of the soldiers turned from war inferred franchising as a new method of touching financial success.

Even if in that period the biggest disadvantage of this system was the lake of partners' experience, especially in the distribution's area, the merchants with a certain economic power will begin to sell their products and the know-how and thus the franchising system. This system was developed in America at the middle of XX century, and after that it appeared on the European space, too, relying on American experience, but supporting therewith the influence of economical environment in which they were implemented.

Thanks to the economic favorable conditions of the development of this system, and to the development of the little and middle enterprises at the beginning of the '90's, the United States of America succeeded to obtain 10 percents of their gross domestic product through franchising, and in Great Britain 29 percents from the entire retails sales was obtain through this system.

2. CONCEPT AND EVOLUTION

The commercialization in franchising system registered the quickest development in the retail commercial activity. According to the International Association for franchising dates, the sales of companies who operate in this system held in 2001 half from total retails from USA and shall obtain, in 2010 round 250 milliard dollars.

Temporally, there were ascribable different means to franchising depending on the view from were the term was seen and used.

In his most simple form, franchising is a license which permits to its concessionaire to commercialize products or services, using the product's mark or the factory owner's mark, which allows him to transact for himself, but not through himself.

From marketing's viewpoint, franchising is a distribution system which relies on the relations among the two parts, independent from legal viewpoint - the owner of franchising (the owner of the mark factory, or of products and services' mark) and the concessionaire of franchising [1].

From managerial viewpoint, franchising is the method wherewith a franchisor's business - usually a multinational company - is given in use to a beneficiary called franchised, represented by a firm or a natural person who accepts the conditions of the franchisor and who receives from the franchisor the business in certain contractual condition [2].

In our country, the concept of franchising was little approached in special literature, although across 100 business are developed into Romania in franchising system and there weren't signaled failures in this area.

The delimitation of franchising concepts at Romanian specialists is reduced to several opinions appeared in special periodicals and to some empiric information found on different sites and legislative settlements, sometimes adverse.

Thus, the Government Ordinance 52/1997 specifies that franchising is "the system of commercialization products, services and technologies, based on a tight and continues cooperation between natural and legal persons, financially independent".

Through this kind of contract a certain person, called franchisor, offers to another person, named beneficiary, the right to exploit a business, a product or a service.

3. CLASSIFICATION

Analyzing the conceptions referring to the delimitation of franchising concepts, the delimitation of relations established between franchising partner and the areas where he developed permits to classify franchising in many categories [1,2].

A prime classification has to its base the area in which the two business partners, the franchisor and the franchised, develop their business relations; so, from this point of view there are three categories of franchising operations:

- ✚ Production franchising – the franchised is the partner who manufactures products concordantly with the franchisor's indications and afterward he sells them below franchisor's mark (for instance producing the ginger-ales Coca-cola);
- ✚ Service franchising - presupposes that franchisor offer to the franchisers an original method of services in the hotelier area, marital agencies, fast-food etc. (for instance: McDonalds and KFC in the area of fast-food etc);
- ✚ Distribution franchising is intend for products commercialization through a franchising system and is the most prevalent franchising model, realizing in USA round 73% from total franchising sales, which is across 388 mild. dollars.

The partnership in distribution franchising area can have two forms: the franchisor can be the products distributor and in this hypothesis he has the role of intermediary between producers and franchisers or can be the producer of the products; case in which he shall apply franchising system to distribute his products, respectively to develop a franchising meshwork wherewith to deliver his products (franchising in the area of cosmetic, confections etc).

The unprecedented development of franchising system in last decade permitted the system's stratification and emphasis the next type of franchising systems:

The producer - merchant franchising by retail sale: in this relation the producer is the franchisor and gives the right to a certain retail merchant to sell his products directly, respecting certain conditions. The franchisor can develop only this business or as a distinct component in the firm he has (for instance the stations of oil products).

The producer - merchant franchising direct sale: the relation is like precedence with discrepancy that franchisor is represented in this case by a direct merchant. The franchisor is, also, as a rule, a big, strong firm, having the power to contract with developed merchants (for instance: Coca-Cola, Pepsi-Cola and Seven-up).

The merchant direct sale - the merchant by retail sale franchising system. Operates between the direct sales merchants with economic power, who want to develop the market, under the circumstances of diminution consumptions of capital and of superior motivation of

retail merchants. Specific to this form is that the franchisor works with franchise's groups. This system is most frequently utilized in the area of personal computers.

The commercial mark – by retail merchant franchising is the system in which the franchisor holds a product or a service commercialized below the mark name, usually through standardized shops being prevalent in the fast-food area (McDonald, Pizza-Hut etc), cars rent (Herz) and printing services etc.

The most important instrument used in the development of franchising system is represented by the franchising contract. The franchising contract permits the reiteration and the amplification of a successful business through a supple structure in which minimum capitals are mobilized and which is based on the allocation of responsibilities between partners.

4. FRANCHISING HOTELIER SYSTEM

This juridical instrument, adequate to the evolution of business' environment, is frequently used in practice, its finality being to transmit from franchisor (franchiser) to beneficiary (franchisee) - natural or legal persons, financially independent, the right to exploit or to develop a business, a product, a technology or a service.

The legislation regarding franchising specifies that a franchising contract has to reflect the interest of franchising meshes members, protecting the industrial and intellectual copyright of his owners, by maintaining the common identity and the reputation of franchising meshes [3].

Through franchising contract, the franchisors and franchisees obligations and responsibilities, as well as any another stipulations of the business' framework, must univocally be ascertainable and defined. It is recommended that this typified contract to represent, as a matter of fact, a prime draft of franchising contract, contracted between the two parts, at the end of negotiations. The franchisee has all interest to study the contract's project and to interfere with proposals for its amendment.

In the special literature, the franchising contract is composed by four main parts: the preamble, the franchisor's obligations, the franchisee's obligations and other settlements. In these main parts are included all contractual rights and obligations, too, as well as all the elements who define the relation between the two franchising partners.

Other references details the above mentioned elements, bringing into question some elements of franchising contracts as: the contract's object, his area, taxes and know-how, publicity, guarantees, competition interdiction, the auditing rights, the reciprocal report etc.

One of the most attractive areas in which franchising system can be opened and developed is the hotelier area.

The franchising contract in this area has the characteristics of an affiliation of adhesion contract. The characteristics of a franchising contract, whose partners are interested the hotelier area, are:

- ✚ The beneficiary of franchising contract utilizes, in his interest, the mark of the hotel's brand, belonging to the franchisor, with all his attributes (logo, catchword etc),
- ✚ The beneficiary uses the franchisor's conceived and verified know-how regarding the hotelier activities;
- ✚ The franchising contract is joined, as a rule, by the territorial exclusivity, and the specific common services used at this level;
- ✚ The franchisor's remuneration consists in a tax of affiliation, joined by redevenes of hotel's exploitation.

The company of group's administration has the right to supervise the service's quality and the conformity with the mark. Thence, the system of franchising hotels has a superior autonomy towards to a management contract

The franchising is contracted for a limited period - 10 years, for instance, (to Inter-continental București) or 20 years (to Holiday Inn Resort Sinaia) and usually, its validity is extended. For more than 2 hotel's chains, the redevence level due to franchisor is between 3.5 – 4.5% from business encipher.

This level of franchisor's remuneration is placed sensitively below the level of mandatary's remuneration from a management contract (toward 10% from business

encipher, being to a variable level). In Romania, among the international hotelier chains which uses franchising system, Best Western is present. As a matter of fact, for long time ago Best Western was considered the biggest volunteer hotelier chain.

Practically, the development in hotelier chains row was the consequence of multiplication of hotel's services jobs offered to the "allied hotels". Taxes remained to one of the lowest levels: 2,1% (or only 1,8%, according to the "Hotels" Magazine) from the accommodation incomes, against 9,5% - Holiday Inn, Howard Johnson and Hilton, 9,6% Crowne Plaza and 11,4% - Marriott etc.

The franchising contract has a few characteristic principles which differentiate him from other contracts and through its settlement the legislator wanted to offer to contractings and consumers the protection of their interests. Those principles refer to:

- ✚ the fixed term that permit the beneficiaries the liquidation specific to franchising investments;
- ✚ in situation of cancellation, there will be established explicitly the circumstances that can cause a cancellation without notice;
- ✚ the conditions in which the laws' transfer could be made;
- ✚ the pre-emption right;
- ✚ the clauses must be contained in contract, for the protection of the know-how;
- ✚ the beneficiary's financial obligations must be clearly précised;
- ✚ the owner's mark represent the guaranty of product's quality etc.

Tabel 1. Franchising agreement remuneration

Hotels	Affiliation tax	Basic redeventa	Promotion	Reservation central
Hilton	15.000 USD + 100 USD/ room/night (100 rooms)	5% from total motel accommodation	Included in basis revedenta	2,85 USD/ room reserved
Holiday Inn	15.000 USD	3% from total motel accommodation or 0,15 USD/ room/night	0,08 USD/ room/night or 1 % from business' encipher	3 USD/ room/month + 8% from accommodations incomes
Meridien		0,25 USD/ room/night	1% from business' encipher	1% from business' encipher
Ramada Inn	15.000 USD or 100 USD/room/night (60 rooms)	3% accommodations incomes	3,65 USD/ room/month	8% from accommodations incomes + 2.75USD/ room/month
Sheraton	15.000 USD	4% from accommodations incomes minimum 0,25 USD/ room/night	Included in basis revedenta	1,6% from accommodations incomes and minimum 4 USD and maximum 5 USD/room

5. CONCLUSIONS

This franchising contract has as object the charterage of a concession wherewith the franchiser receives from the franchisor the right to engage himself in the production, tender, sale and distribution of goods or services, according to the marketing plane elaborated by the franchisor.

Therefore in franchising contract: the franchisor transfers his experience to the franchiser, instructs it, puts at his command the know-how system, inclusively his secret commercial methods and the copy-right, and assures the access to his publicity and advertising system, to his supply and retail meshes – helping him to penetrate on the external markets without efforts of investment and in efficiency conditions; the franchiser unroll his activity with the concedent's middles, finding in the clientele and expanding his commercial operations, maintaining in the same time his independence; in certain conditions, he can resell the concession.

BIBLIOGRAPHY:

- [1.] Drigă C., Drigă E. - Primii pași în franciză, Ed. CH Bech, București, 2006
- [2.] Isac C., Dura C. – Strategii investiționale în afaceri, Ed. Universitas, Petroșani, 2008
- [3.] Mocanu M. - Contractul de franciză, Ed. CH BECK, București, 2007