

**WHEN TALKED ABOUT FRANCHISE BUSINESS VERY OFTEN ONLY THE FRANCHISE BUYER PERSPECTIVE IS BEING CONSIDERED, BUT FRANCHISE IS THE BUSINESS MODEL WHERE THE INTERESTS OF BOTH SIDES ARE MET.**

## **Franchise- the business model sold also by Croatian companies**

*The research shows that in the developed western countries large number of companies works as franchises and also that the odds of your company being still alive after 5 years are much greater if you entered the business as a part of some franchise network than if you started independent new business.*

Franchise is a business model in which a company sells the right to use their trade mark and the business model to another company that in return pays the franchise fee and the percentage of the monthly sale of goods and services. It is suitable for almost all business segments: restaurants, hotels, bakeries, car services, real estate agents, beauty saloons, house cleaning , etc.

As the franchisor we usually have the company that due to the years of successful business experience managed to built its brand and developed the successfull business model that can be applied to another location with the knowledge transfer. For company that is looking into expansion, the reasons to use the franchise model rather than to open more company owned units very often are financial (common but not the only or exclusive reason). The financial reason is definitely important since when opening a new franchise unit the largest portion of the expanses is covered by the franchisee (the franchise buyer). Even when the financial resources are not limited , it is always better not to engage your own assets if you can engage somebody elses. Other reasons to sell the franchise instead of opening the company owned unit are the motivation of the person running the unit (the feeling of increased responsibility when running own company and working for himself), the shared risk, not have to worry about the employees, utility expenses and control the daily business that are all responsibility of the franchise buyer.

The ideal franchise buyers are the entrepreneurs who noticed the need in their territory for a particular product or service. The classical approach would be to start the entrepreneurial process by them self: to start the company, come up with company name, look for the location from where to work, work on designing the product or service, have to decide on marketing activities which will help them position the product or service on the market. The second approach would be to identify the company that already has that particular product or service on the market, is successful, has developed business model, has a recognizable name in his branch and is willing to sell the franchise. By buying the franchise the entrepreneur , the beginner, is in the position to skip several steps and does not have to make the initial mistakes that the franchisor had to go through to succeed. In the other works franchisor sells to the franchisee the „secret of his success“ in a specific business branch , saving him the time and all other resourcess.

### **You have to know what are you buying**

Even if the franchise is the excellent business model, it does not mean that each franchise offer is the good business opportunity. The franchise is the product like any other, exhibited on the shelf, waiting for it's buyer. When buying you have to take it in your hands and take a good look from all sides . You have to know what is it you are buying.

There are two franchise models:

- product distribution franchise where the franchise buyer buys the distribution right for a specific territory. What the buyer is paying for in this case is the brand. If this is the model you are considering, you have to be sure in the strength and the market value of that particular brand in

your territory. The well known name in Italy or Spain can be completely unknown to the final consumers in Croatia.

*In the middle of 2004. Dubravka and Damir Borovac, the owners of the companies Očna Optika Lens and DeaLens d.o.o. from Osijek got an offer from one Italian franchise distribution chain (one of the strongest Italian optician brands) to buy their franchise and the open their store in Osijek. After analyzing the franchise offer they realize that a particular Italian brand was completely unknown to our market, and that their name Lens locally represented much stronger brand. Damir i Dubravka Borovac then concluded that due to their years long experience in optician branch they gained the experience, knowledge, the name, suppliers contacts and that they themselves are ready to become the franchisor (the franchise seller). With The Franchise Center of The Center for Entrepreneurship in Osijek they develop their franchise offer and are looking to sell their franchise in the territory of Croatia.*

- Business format franchise is the model where the buyer in addition to the right to use somebody's brand (trade mark) also buys the business model as the recipe of how to do business in this particular business branch. When buying this kind of franchise it is not necessary that the name you are buying is well known at your market. If the business model that is the part of the franchise package is innovative and creates the competitive advantage on your market, do not worry about the recognition of the brand. In this case you will be the one developing the brand.

For a number of years Ivica Ivančić had a dream about starting his own company. He was partly familiar with the franchise business model and was interested in existing franchise offers. In his search for the franchise information he came to The Franchise Center of the Center for Entrepreneurship in Osijek and after participating at two day „Franchise from A to Z“ seminar he decided to contact Nikola Oršanić, the master franchise owner of Italian „Redac point“ company in the business of the cartridge refill, whose lecture he attended at the seminar. He familiarized himself to the company's way of doing business, started his own company Ivačić d.o.o., completed the training in Italy and became the franchisee of this company for the region of Slavonia. This branch of business is in constant technological development, almost daily we have new printers on the market and the refills for their cartridges are requested by the final consumers. The Ivačić company could not respond to those technical and market challenges by themselves. The main support he needs is provided from his main Italian distributor and his research lab as well as partners from Zagreb and Split where other Croatian franchise offices are.

Even if in Croatia we think of franchise as something we buy from abroad, however there are Croatian companies that are strong enough, experienced and have a good reputation to become franchisors. It does not necessarily require large investments but well thought out business model, that can be replicated in another location.

Jasmina Pacek (MFA) and Denis Tensek (MBA) after their return from the USA decided to enrich the offer in Osijek with a completely new concept: they opened San Francisco Coffee House : an unique place in Croatia where you can enjoy the original atmosphere of this American city and choose one of 17 kinds of special coffees or take them with you when going for a walk, to work or school...A year after their opening they are ready to expand. Due to a numerous requests of the visitors from other parts of the country and their wish to be able to enjoy this environment and the coffee in other cities too, with the Franchise Center of the Center for Entrepreneurship from Osijek they developed their franchise offer. They are already negotiating with entrepreneurs from different cities around the country, where the speed of the implementation of the idea will be important because SFCH is giving territorial exclusivity. More about their offer at :[www.sfch.hr](http://www.sfch.hr).

The Franchise Center has been active for over two years within the The Center for Entrepreneurship in Osijek. The center mission is to help everybody interested in franchise:

franchise buyers (to help them analyse the franchise offer, in search and contacting the franchisors, education about the franchise business in general) and franchise sellers (help with the creation of the franchise offer for your company, designing your franchise network, finding franchise buyers, etc.) The Franchise Center is the only center in Croatia specialised for Franchise business. The attendees of the „Franchise from A to Z“ seminar and the users of the center's services are entrepreneurs from all over Croatia as well as Bosnia and Herzegovina. In their work they use the methodology and the contacts that the Franchise Center has with one of the best franchise centers in America – The Franchising Center in El Paso within the University of Texas.

More information one can get at the Center for Entrepreneurship phone ++ 385 31 283-623 or e-mail: [info@fransiza.hr](mailto:info@fransiza.hr)

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