

**ADVANTAGES AND DISADVANTAGES OF FRANCHISING
AS A FORM OF BUSINESS**

A.A. Kolesova

Tomsk Polytechnic University, Tomsk

E-mail: aak13@tpu.ru

Scientific adviser: Fangmann G.O., cand. of econ. sciences

The article describes the features of the development of franchising in Russia. Franchising has a number of advantages and it is a perspective form of interaction between small and large businesses. However, in taking a decision to contract with the franchise network, in addition to understanding the forms of doing business, the advantages of the system, you should also take into account that the franchise system is associated with some risks.

Currently franchising is one of the main distribution channel and tool for business development for many companies. Franchise system is one way to become a part owner of a small or large business for beginning entrepreneurs. In the growing markets such as in Russia, the franchise is the fastest method of teaching business skills needed to organize and efficient business.

Plunging into the business, an aspiring businessman meets a difficult choice: to use his strength and go their own way, or follow the example of a successful entrepreneur who has already proven himself in the market. The first way of doing business, on the one hand, attracts by the complete freedom of action, and on the other – repels potential risks to suffer bankruptcy. The second way – franchising – attracts a successful example and experience accumulated over time, well-functioning system of doing business, however, forces to act on the prescribed template and binds initiative. The fact of the rapid spread and rapid development of franchising is, firstly, to mutual benefit for both the franchisor and the franchisee and, secondly, to reduce the base tax payments. Orientation and focusing on results of franchising on its participants – the factors that distinguish it from other business-concepts. They can be formulated in one general word – a system which implies the presence of various additional services and benefits [1].

A distinctive feature of the franchise is not a manufactured product or services, but is the quality of the system. As any other forms of organization and businesses franchise system has a number of advantages and disadvantages. Advantages and disadvantages of franchising system are listed in Table 1.

Table 1 – Advantages and disadvantages of franchising

Advantages of franchising	
For the franchisor	For the franchisee
1. Expansion of the market for goods and services.	1. Preservation by franchisees of their economic and legal independence.
2. Obtaining additional income.	2. The use of the brand, which has won the loyalty of customers and a good reputation.
3. The possibility of development and marketing at the remote site.	3. Entry into a proven system and its use.
4. The increase of control on the market.	4. Saving resources for learning, teaching, formation of business, marketing, advertising, vendor selection, and so on.
5. Rapid scaling of business without direct investment.	5. Support from an experienced partner.
6. Rabid launch of new modified goods.	6. The increase of competitive advantages.
7. The additional income from royalty payments.	7. Financing of the investment and obtain profits from it.
8. Not being engaged in ongoing management problems at the level of firm- franchisee.	8. Franchise business is considered as more reliable in comparison with business start-ups and less exposed to the risk of bankruptcy
Disadvantages of franchising	
For the franchisor	For the franchisee
1. The risk of loss of reputation associated with the failure of the franchisee manuals, instructions, standards and other necessary conditions.	1. Control by the franchiser.
2. Hiding by franchisee important information and submitting false information, giving a false impression about the market.	2. High costs for the services of the franchisor (the purchase of equipment, raw materials, and so on.
3. Refusal of royalties.	3. Risk of change of policy of the franchiser for the worse.
4. Illegal use of brand of franchisee after the termination of the contract.	4. Insufficient and false information about the franchise.
5. The difficulties in maintaining confidential and commercial information. The more franchisees works in the franchise system, the more likely, that the secret operation of the franchisor's business will go to competitors.	5. Limitation of franchisees activities.

6. The complexity of controlling the activities of the franchisee.	6. The franchise agreement is for a long time, you cannot go out of business quickly.
--	---

Analyzing the table, we can highlight the fact that the main advantage of franchising is the effective acquisition and increase the competitiveness of the entire network to other similar systems. The basis for achieving these advantages is common goals of the participants:

- The desire for uniformity of the franchisor and the franchisee;
- Promotion on the market;
- Improving the reputation of the entire franchise network [2].

The ability to create and to implement common objectives determined by a number of reasons, the key of which can be called strategic vision, the qualitative characteristics of the applied model of franchising, administrative and economic potential, organization and business ethics of entities of franchise relationship.

Advantageous and necessary condition is the complex nature of the relationship of members of the network and a high level of transparency. Constant exchange of information makes it possible to assess the market situation with a high level of reliability, which in turn allows to improve the quality of strategic planning and marketing, to manage conflicts.

Control over the distribution channels together with other parameters of the system of management naturally increase the possibility of access to other territories, including the territories of foreign states. Total commitment to the improvement and competent management, aimed at optimizing the information, material and financial flows allows to achieve stability in the development of the franchise network and stimulates its growth. In turn, on-net benefits and improving the reputation of the system as a whole have a significant impact on increasing the level of trust to the subjects of franchising relationships and reputation. [3] Using the advantages of the system provides additional opportunities for the development of each franchisee.

Making a decision to sign the contract with the franchise network, in addition to understanding the forms of doing business, the advantages of the system, you should also take into account that the franchise system is associated with some risks. The consequence of the development of franchising can be a restriction of competition in some sectors of the economy, which of course could have a negative impact on the franchise, and also can increase the risk of entry on market of new organizations, not included in the franchise network.

Achieving success of network is essentially possible only if the franchisor and franchisees achieve their goals. The success of each participant in indirect impacts on the success of the other participants, and the serious problems and the failure of any one of them could significantly undermine the reputation of each and the entire network with all its consequences. The concept of franchise systems and standards may be unacceptable in certain areas, which consequently leads to the failure of subjects, presenting in this market.

Over-regulation of the system can lead to restriction of the activities of the franchisee and opportunities of development and growth, which, respectively, will inhibit the growth of the franchise network as a whole. Rough relation to information increases the likelihood of "migration" of competitive business ideas that can also limit the opportunities and lead to a loss of the ability to be proactive with respect to competitors. Errors in the

formation of a contractual relationship can cause of the disputes, loss of confidence, reduced reputation and limited development in certain areas.

Every entrepreneur should be aware of the risks mentioned before he decides to invest in a new business concept. Franchising, like any other form of business organization, is not for passive person. As any other kind of business, it requires serious effort, because you need to make business decisions, such as planning, recruitment, procurement, accounting and other functions, and be aimed at reducing or minimizing the risks associated with investments in the enterprise -franchisee [4]. In order to make a final decision by entrepreneur, you need to assess and take into account the following information: the last few years more and more companies, operating in the Russian market, intend to use franchising to develop their own business. Franchising as a system has proved its effectiveness and is growing rapidly due to the high survival rate of franchised businesses (Figure 1).

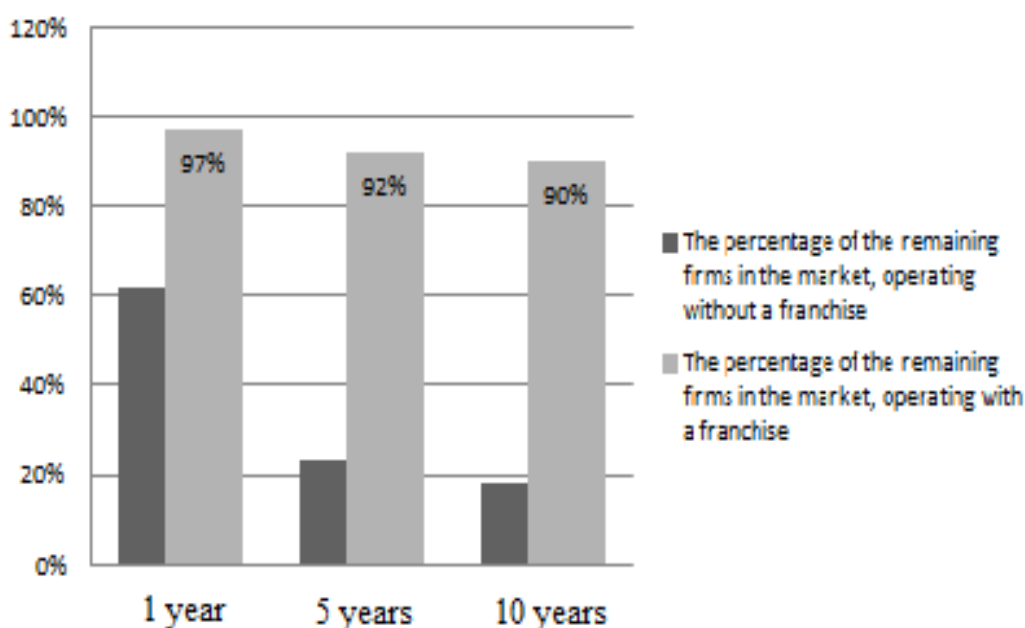


Fig. 1. Comparative figures of firm's survival using franchising. Reference: [4]

Based on the above information we can conclude that franchising is a rather complex, multifaceted phenomenon, the role of which is extremely high, as it is an effective distribution channel through which goods and services are distributed both inside the country and around the world. Advantages – attraction of the capital, the rate of development, human resources, and ease of operation; disadvantages – the position of "everyone for himself", incorrect planning, quality control.

References.

1. Indrisova Z.N. Organizational-legal problems of franchising in Russia // The rule of law. – 2011. – №2 (6). – 152–158 p.
2. Zavyalov N. Image-all // N. Zavyalov. – M: The school of business, 2006. – 76 p.
3. Zemlyakov D.N. Franchising. The integrated form of business organization // D.N. Zemlyakov, M.O. Makashev. – M.: Unity-Dana, 2003. – 144 p.

4. Vatutin S. Franchising and other models of rapid growth // S. Vatunin, M. Trishin. – SPb: Peter, 2012. – 192 p.

PROBLEMS AND PROSPECTS OF INVESTMENT IN NIGERIA ECONOMY

A. Ogunlana

Tomsk Polytechnic University, Tomsk

E-mail: aystar15@mail.ru

Scientific adviser: Goriunova N.N., cand. of econ. sciences

Article describes the main opportunities and obstacles of investing in Nigeria, analyzing the challenges faced by one of the oil foreign companies using their company annual data report from 2011 to the end of 2014 and the authors recommendations in dealing with these challenges.

On June 11 2015 during the Russian Federation Day, the Deputy Head of Mission, Russian Embassy, Valeriy Shaposhnikov said two major Russian oil companies, Gazprom and Lukoil would be coming to invest in Nigeria's oil and gas sector thereby developing oil and gas pipelines infrastructure and protection system. And also there is a proposed nuclear power plant that would generate 10000 jobs and also create new ideas [1].

The purpose of this paper is to analyze the possible challenges and the possible outcome of oil partnership between Russia and Nigeria. The task is to look into operation of one of the main oil companies in Nigeria (SHELL) and to analyse their challenges and also the possibility that it may happen to oil companies from Russia.

This is not the first time Russians and Nigerians have being in Business for example a controversial sale of Aluminum Smelter Company of Nigeria ALSCON (the only aluminum smelting plant in Nigeria) to RUSAL (a Russian aluminum firm) in 2004 losing the bid was Bancorp Financial Investment Group Divino Corporation (BFIG), a consortium of U.S.-based Nigerian investors led by Reuben Jaja despite offering of 410 million dollars over 250 million dollars paid by RUSAL [2]. This led the BFIG to court accusing that the formal president Olusegun Obasanjo impartial behavior in the judgement of awarding the sales of ALSCON to RUSAL. On September 11 2015 the court rule in favor of BFIG [3]

Nigeria is bless with different natural resources like metals cocoa etc. but the one that is being clinched to is Oil and this have make different foreign companies to try to establish their companies in Nigeria but the challenges they faces always come from the indigenes of Niger Delta (where the oil is found). Because while drilling for oil it affects their farm produce. They are unable to farm, they don't have drinking waters and they can't go for fishing which they like very much and that is why they engage in different kind of secret activities just to sabotage any company from drilling oil in the area. Although the government have try different means to help improve the standard of living but it seems not enough.

Analyzing the statistics of one of the foreign investors in Nigeria (SHELL Company) for example can change the interest of foreign oil companies to invest in Nigeria.

Royal Dutch Shell usually known as SHELL is an Anglo–Dutch multinational oil and gas company headquartered in the Netherlands and incorporated in the United Kingdom. Created by the merger of Royal Dutch Petroleum and UK-based Shell Transport &