

FRANCHISING AS A FORM OF ACTIVATION OF INNOVATIVE ACTIVITY OF AGRICULTURAL COMPLEX ENTERPRISES

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The article examines the features of franchising and its role in the agro-industrial complex. Today, the agro-industrial complex in Ukraine is built in such a way that it is very difficult for enterprises to survive alone, especially for an enterprise that is just entering the market with a huge number of existing ones that have proven themselves.

The purpose of this article is to analyze the development of franchising in the agro-industrial complex and identify the main directions of its development.

An analysis of the economic literature shows that many aspects of franchising in the agro-industrial complex are still insufficiently studied. Despite the number of publications on this topic, the issue of franchise interaction with small and medium-sized businesses in Ukraine remains open. Based on the analysis of scientific sources, the theoretical foundations of franchising are considered, the advantages and disadvantages of agro-industrial enterprises based on franchising are summarized. The validity of the obtained results is due to the use of general scientific and special statistical methods.

For the sustainable and dynamic formation of franchising relations, we have developed a mechanism for the development of franchising in the agro-industrial complex, which is a set of implementation tools aimed at creating a favorable environment for franchising in the agro-industrial complex. The novelty of the proposed mechanism for the development of franchising relations in the agro-industrial complex is the complexity of measures, the implementation of which will establish the positive dynamics of franchising and create conditions for sustainable and efficient operation of franchising systems.

Keywords: *agro-industrial complex, agro-franchise, innovation, competitiveness, agricultural production, enterprise.*

INTRODUCTION

One of the decisive factors in the commercial success of Ukrainian enterprises in the transition from an administrative command to a market economy is their competitiveness. This has aroused special interest among scientists and directors of firms in the field of determining and evaluating competitive advantages, studying the causes of competitiveness, and methods of managing competitiveness in a constantly changing market environment, both nationally and internationally.

Today the agro-industrial complex in Ukraine is built in such a way that it is difficult for enterprises to survive alone, and even more so for a company that is just entering the market with a huge number of existing ones that have proven themselves. It is much easier for network agencies to function, which are united by a single common brand, are already well promoted and known in the market, as well as united by corpo-

rate culture, common goals and objectives, management methods, and long-term development plans. In the agro-industrial sector, franchising appeared relatively recently.

The attractiveness of franchising lies in the presence of undeniable advantages for both participants in the franchise relationship. For small businesses, it provides a stable profitable business, for well-known firms and companies — the opportunity to expand and strengthen their market position. This may explain the widespread use of franchising in both Europe and the United States. For many companies, franchising has become a symbol of business success, including for some Ukrainian companies that have decided to develop their business through franchising.

The purpose of this article is to analyze the development of franchising business in the agro-industrial complex and identify the main directions of its development.

ANALYSIS OF THE LAST RESEARCH AND PUBLICATIONS

Analysis of recent research and publications showed that research on the use of franchise relations between enterprises in Ukraine and the world received a lot of attention in the writings of leading scientists. Among them, Gudz O. [1] studied the theoretical and practical principles of the development of franchising by contract management. Konstantinova K.V. [2] considered the prospects for the development of franchising in Ukraine. Shkola I. [3] — investigated the problems of franchising in Ukraine. The works of these authors analyze the foreign experience of the use of franchising, recommendations for the construction of a franchise network of CIS countries in which franchising is considered as an integrated form of business development, questions such as accounting, taxation, legal issues of activity within the framework of the franchising system are analyzed.

An analysis of economic literature indicates that many aspects of franchising in the agro-industrial complex are still not sufficiently studied. Despite the number of publications on these topics, the question of the interaction of franchising with small and medium-sized enterprises in Ukraine remains open.

MATERIALS AND RESEARCH METHODS

When conducting research, given the tasks, general scientific and specific methods of research were used. Among them: the method of scientific abstraction — in the systematization of theoretical foundations of franchising, the method of system-structural analysis — in determining the characteristics of franchising and its role in the agro-industrial complex; method of logical generalization — in the research of problems of activity agro-industrial enterprises based on franchising; method of analysis and synthesis, a graphical method for the development of organizational measures.

Based on analysis of scientific sources, the theoretical bases of franchising are considered, the advantages and disadvantages of agro-industrial enterprises based on franchising are summarized. The justifications of the obtained results is due to the use of general scientific and special statistical methods.

RESULTS AND DISCUSSION

Today, business is characterized by several factors that hinder its development. In particular, there is a need to expand the sale of manufactured products, attract specialists to the dealer network of large companies; improve efficiency

and increase the duration of small businesses. All this is possible through a mechanism such as franchising: it allows you to increase the profitability of small businesses by combining the benefits of small and large businesses.

Some theorists define franchising as a system of relationships and obligations between a parent company and smaller firms:

1. Franchising is a business organization in which a company (franchisor) transfers to a certain person (franchisee) the right to sell the product and services of this company [1, p. 34];

2. Franchising can be described as a special method or way of commercial activity when an individual entrepreneur or a small commercial enterprise negotiates with a large firm, well known in the national or international market, that this entrepreneur (or enterprise) will conduct its business operations under the name of such firm or under its brand or provide their services under the service mark [3, p. 314];

3. Franchising is a form of long-term commercial service of firms in which the franchisor transfers the rights to sell its goods and services to the franchisee, which simultaneously receives the rights to use the trademark, marketing technologies, service standards, brand design, and business reputation of the franchisor [4, p. 24].

Thus, we can conclude that franchising is a form of entrepreneurship, under which the development of the concept of doing business and its implementation carried out by two legal entities — franchisor (the person who provides the brand) and the franchisee (the person who supplies, manufactures products and services under this brand). In general, the franchise — the integration of small and large businesses in order to expand the market.

Today, franchising is used in more than 80 industries. On the one hand, franchising is one of the most effective ways to develop a business for companies that have already succeeded and want to develop their success further, on the other hand, franchising is the best opportunity to organize your own business for a small entrepreneur, businessman, even for a person who has never been in business [5, p. 372]. This can also be applied to agricultural sectors.

More than 50% of the world's franchise market is occupied by trade, namely restaurants, fast food restaurants, industrial and food stores. According to FRANDATA Corporation, the market for franchising services is most in-demand in such areas (fig. 1).

As you can see, franchising in the agro-industrial complex is underdeveloped. Agro-franchise is a business plan for the production of certain types of agricultural products (most

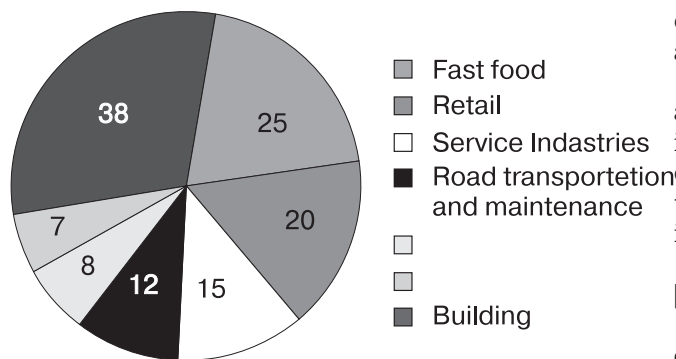


Fig. 1. Global demand of economic spheres in the franchising market for 2019, %
 Source: systematized by the author on the basis [6].

in demand at the moment by the market). The essence of agro-franchising is that the basic farm develops the technology, sells it to the project participants, and is responsible for the result. The franchisor’s responsibilities also include training, internships, consulting and control of their franchisees, providing sales channels for the finished product in the first year of existence. There may be an additional agreement to fulfill these responsibilities in the coming years of the project. The cost of the agricultural franchise includes the amount of investment in equipment and basic materials (seedlings, livestock, etc.) and the cost of current activities for the payback period. There are no royalties (periodic payments made by the franchisee weekly or monthly to the franchisor for long-term use of the trademark of operating systems of doing business) in this case.

Having analyzed the economic market of Ukraine, it can be noted that the market of franchising services is actively growing. This is

evidenced by the analytical studies conducted according to the statistics of fig. 2.

These analytical data indicate that there is an increase in the market for franchising services in 2019 by 18% compared to the previous analytical year. This increase has contributed to the attention of foreign global brands that are interested in developing their franchises in Ukraine.

The advantages of agro-franchising include [8, c. 55]:

- cost savings on information, marketing, organizational and other costs; opportunity to use a ready-made trademark;
- support from an experienced partner and additional training opportunities;
- the right to work with already known suppliers;
- participation in corporate events and acquisition of a new social status;
- reduction of commercial risks;
- increase market share by networking;
- education of costs due to the scale of production, sales, and improvement of the distribution system of the product of agricultural production.

At the same time in Ukraine there are certain difficulties and risks in the application of agricultural franchises, which are associated with such factors:

- the term «franchising» not legalized yet, and some types of agricultural franchises offered on the market do not always provide the very ideology of franchising and do not contain the main classifying features (For example, the transfer of rights to use the trademark and know-how), which, firstly, does not make it possible to convey to potential partners the benefits of cooperation; second, the mass dissemination of information about franchises «without intellec-

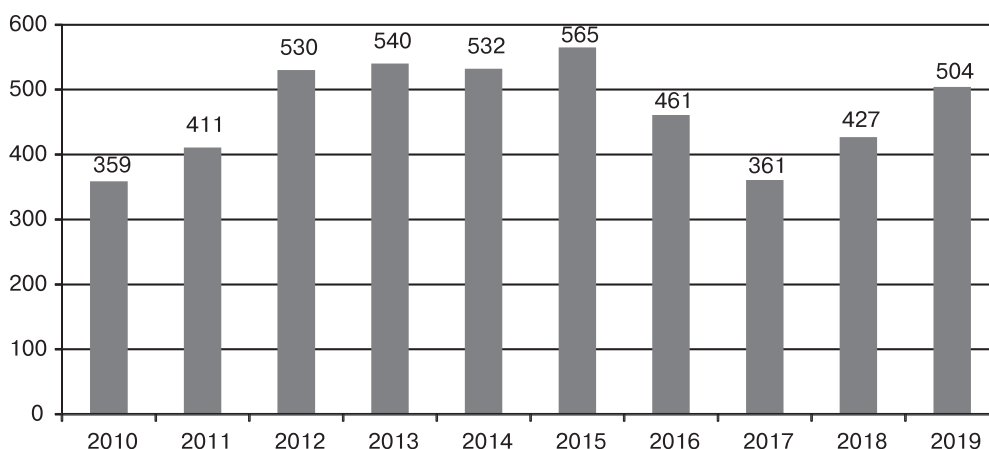


Fig. 2. Dynamics of the number of franchisors in Ukraine, persons
 Source: systematized by the author on the basis of [7].

tual property» can discredit franchising in those sectors of the economy in which it has received its real development;

- the existing legal field in Ukraine, as well as the need to register agreements that include the transfer of rights to intellectual property, require additional time and resources, which reduces the interest in the «acquisition» of agricultural franchises;

- insufficient awareness of franchising as a business concept creates risks of entrepreneurial dishonesty in terms of substituting development formats;

- if the insufficient level of own investments in the countryside for business development will not be compensated by various sources of micro-finance, including at the expense of right holders (owners of franchise models and totality have in them the rights to results of intellectual activity and means of individualization, agricultural franchises are not in demand, and accordingly, this innovative way of business development in the countryside will not find its development.

According to the study, one of the reasons for the insufficient development of franchising in Ukraine, as well as in other CIS countries, is the difference in attitudes to business and require-

ments for each other in the contracting parties. It should be noted that the low interest in franchising and franchise offers in our country is due to distrust in the organization of franchise business, unwillingness to cooperate with the franchisor organization and be a payer of a lump sum payment, royalties, and other payment. The lack of a large number of examples of successful work of franchise organizations also negatively adjusts potential investors to franchise offers.

The development of agro-franchising in Ukraine can be attributed to a new but relevant national project. Franchising is a powerful promotion tool and allows to stimulate investment activity of the private sector.

When establishing a franchise relationship, there is a risk that the company that provided the license complex may be harmed by the poor performance of the franchisee. Thus, research shows that companies that have acquired a licensed complex are often not interested in investing in its development and take steps to improve its technology. It is not uncommon for an enterprise to abandon the use of a brand in the production of products under the brand name of another manufacturer in case of a reduction of its competitiveness than to create the conditions for its

Table 1

The mechanism of franchising development in the agro-industrial complex

Direction	Implementing direction
Franchising development strategy	Coherence of franchising development with CIS countries and other foreign countries Creation and development of domestic franchise systems Creation of large transnational associations of enterprises, in the work of which elements of franchising relations used Cooperation with multinational companies on the terms of franchising
Directions and mechanisms of franchising development	Franchise market development Development of branded and creation of large retail chains on the terms of franchising Development of models and mechanisms of participation of enterprises and citizens in franchising relations Organization of production, including products of processing enterprises, with the use of franchising
Normative legal regulation	Unification of laws on franchising Simplification of registration of franchising agreements Normative legal regulation of franchising systems to resolve issues and disputes
Infrastructure development	Development (creation) of organizations providing services to promote franchising relations
Learning the basics of franchise relations	Introduction of a course in the theory of franchising relations in higher educational institutions of economic profile Conducting training seminars and courses for managers, specialists of organizations, integrated formations in the field of franchising relations, taking into account the generalization of domestic and foreign practice
Information support	Providing in the media franchise offers and experience of franchising systems

Source: systematized by the author on the basis of [9; 10].

support and development. This is especially true for companies that use several brands at the same time and which have no difficulty replacing one brand with another.

For the sustainable and dynamic formation of franchising relations, we have developed a mechanism for the development of franchising in the agro-industrial complex, which is a set of implementation tools aimed at creating a favorable environment for franchising in the agro-industrial complex (table 1).

The novelty of the proposed mechanism for the development of franchising relations in the agro-industrial complex is the complexity of measures, the implementation of which will allow establishing positive dynamics of franchising application and will create conditions for sustainable and effective functioning of franchising systems.

Thus, the mechanism of franchising in the agro-industrial complex should involve the development of all areas (tools for implementation) of franchise relations, which will speed up the process not only of forming trade networks but also the creation of domestic and transnational associations of enterprises in the agro-industrial complex, which will be based on successful proven business models, modern competitive

technologies, developed marketing strategies, well-known brands, and trademarks.

CONCLUSIONS

Analysis of the concept and features of franchising showed that franchising is a form of consolidation of efforts and multiplication of successful business, increases the chances of survival of individual professional market participants, and the development of the national agro-industrial complex in general. The successful implementation of franchising strategies depends on the balance of the «franchise package» which includes: lump-sum contribution, the financial model of the franchise, the corporate identity of the brand, adaptation, and development of staff, motivational program for staff, technology/formulae/know-how, assortment, and pricing policy.

When developing franchising relations within the country, we should strive for them to complement and develop economic relations with enterprises of other countries. Thus the concept of development of franchising relations should contribute to the creation of conditions under which it will be possible to implement them between enterprises of different states

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ФРАНЧАЙЗИНГ ЯК ФОРМА АКТИВІЗАЦІЇ ІННОВАЦІЙНОЇ ДІЯЛЬНОСТІ ПІДПРИЄМСТВ АПК

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У статті досліджено особливості франчайзингу та його ролі в агропромисловому комплексі. Сьогодні агропромисловий комплекс в Україні побудований так, що підприємствам вижити по-одиноці дуже складно, а тим більше підприємству, яке тільки виходить на ринок при величезній кількості вже існуючих, які зарекомендували себе.

Метою цієї статті є аналіз розвитку франчайзингового підприємництва в агропромисловому комплексі та виявлення основних напрямів його розвитку.

Аналіз економічної літератури свідчить про те, що багато аспектів франчайзингу в агропромисловому комплексі поки що залишаються недостатньо вивченими. Незважаючи на кількість публікацій з цієї тематики, питання взаємодії франчайзингу з підприємствами малого та середнього бізнесу в Україні залишається відкритим. На основі аналізу наукових джерел у розглянуто теоретичні основи франчайзингу, узагальнено переваги та недоліки діяльності агропромислових підприємств на засадах франчайзингу. Обґрунтованість одержаних результатів обумовлено використанням загальнонаукових і спеціальних статистичних методів.

Для стійкого і динамічного формування франчайзингових відносин нами розроблений механізм розвитку франчайзингу в агропромисловому комплексі, що представляє собою сукупність інструментів реалізації, спрямованих на формування сприятливого для франчайзингу середовища в агропромисловому комплексі. Новизна запропонованого механізму розвитку франчайзингових відносин в агропромисловому комплексі полягає в комплексності заходів, реалізація яких дасть змогу встановити позитивну динаміку застосування франчайзингу та створить умови для сталого й ефективного функціонування франчайзингових систем.

Ключові слова: агропромисловий комплекс, агрофраншиза, франчайзинг, інноваційна діяльність.

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