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POSSIBILITIES FOR APPLICATION OF FRANCHISING  
IN CENTRALLY PLANNED ECONOMY — CASE STUDY OF POLAND

Franchising is a form of co-operation between enterprises consisting in transfer by an initiating company X (franchiser, franchise-giver) to other companies Y, Z (franchisees, franchise-takers) of a number of licences (brand name, display sign, distribution strategies, set of products, management techniques etc.) enabling organizations their own economic activity on the basis of methods and franchising channels tested in the initiating company.

This form of ties between economic units is rather uncommon in centrally planned economies. Solutions in this field adopted so far consist primarily in national companies joining the already existing international franchising chains (e.g. Holiday Inn, Inter Continental, Novotel etc.). High economic profitability of franchising from the micro and macroeconomic points of view in comparison with other types of agreements<sup>1</sup> as well as dynamic development of this system in many western countries (USA, FRG, Italy...) encourage us to analyze applicability of similar ties between companies in conditions of the centrally planned economy.

We are putting forward a thesis that franchising may find its wide application in our socio-economic conditions, both in the domestic market and foreign trade. Realization of this concept calls for application of marketing orientation both by the central planning organ and by individual companies.

This work has been based, first of all, on analysis of secondary data concerning franchising as well as on scarce Polish materials, discussions

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<sup>1</sup> This statement concerns agreements of licence, concession, agency, or joint-venture type.

and interviews carried in the Ministry of Foreign Trade and Marine Economy, Tourist Agency „Orbis” in Warsaw, and in the Institute of Marketing at the University of Łódź.

### 1. CHARACTERISTIC OF FRANCHISING TIES

The franchising form of ties between companies is one of forms of the so-called „Contractual Marketing Systems” i.e. a system of ties between companies based on concluded contracts<sup>2</sup>. The essence of franchising is presented in the definition of the French Franchising Association (Association Francaise du Franchisage). Franchising, even though it does not belong to new concepts<sup>3</sup>, does not possess a precise legal and formal qualification — a uniform definition. Thus this form of agreement, similar to the agency agreement in Poland, can be referred to as an unnamed agreement. Accordingly franchising is defined through analogy to other known agreements (concession, branch agreement, agency agreement, or joint-venture).

A definition prepared by the French Franchising Association<sup>4</sup> describes franchising as „a method of ties between companies with the „franchise-giver” being on one side and one or several „franchise-takers” on the other. The franchise-giver, or otherwise the initiating unit, must possess his own trademark, display sign, and in the framework of the agreement — in exchange for definite financial benefits — he must transfer to the franchise-taker: an original set of know-how (from the scope of management and distribution) and an individualized collection of products or services having been tested earlier on the way of his own exploitation on the basis of successful trade techniques. Co-operation between both partners, being an object of the agreement, must produce mutual benefits. The agreement provides not for a single service (as compared e.g. with a licence) but it establishes stable ties between partners providing a basis for future permanent exchange of services in the area encompassed by the contract. The franchiser does not limit his services to transferring the right to use a brand name or

<sup>2</sup> See inter alia: L. W. Stern, A. J. El-Ansary, *Marketing Channels*, Prentice-Hall, Englewood Cliffs, N.J., 1977, pp. 400—419; and P. Kotler, *Marketing Management. Analysis, Planning and Control*, Prentice-Hall, Englewood Cliffs, New York 1976, pp. 283—284.

<sup>3</sup> The first company to apply franchising was the American Singer company, which employed such ties in the second half of 19th century, A. Sznajder, *Franchising*, „Handel Zagraniczny” 1971, No. 8, p. 275.

<sup>4</sup> *Collective work Chambre Nationale des Conseillers Financiers, Technique et Pratique du Franchising*, Paris—Bordas 1975, pp. 36—38.

display sign, but he binds himself to providing assistance to the franchisee in the field of management, planning, inventory control, information flow or promotion means. He also, in most cases, elaborates an overall strategy concerning development of companies linked by a chain of franchising ties. Franchising is, moreover, characterized with economic independence of partners with the franchisee preserving his legal independence. A franchising agreement should also stipulate division of costs incurred by both sides and connected with admittance of new economic units to the system. These costs include mainly investment outlays on construction of new projects, and costs connected with functioning and exploitation — and they are covered by franchisees, thanks to which the trade risk of the initiating company is insignificant<sup>5</sup>.

The above quoted definition not only characterizes the franchising form of ties between companies, but it also precisely defines all flows, their directions and mutual relationships within a marketing channel<sup>6</sup>. This wide approach to franchising simultaneously determines the scope of applicability of this form of ties. Franchising ties may be initiated anywhere where exist possibilities of reconstruction and copying of a tested pattern. Today, according to the object of agreement, franchising is divided into industrial (the so-called Lifreding), service, and trade forms. Thus many authors are wrong when they emphasize mainly a distribution aspect of these agreements. Moreover, with regard to subjects representing parties to an agreement we can distinguish between the following franchising ties: producer — retailer (e.g. Chevrolet cars, Standard gas stations), producer — wholesalers (Falstaff beer, Coca-Cola), and wholesaler — retailers (grocery chain — Independent Grocer Alliance, drugstores of National Drug Co-operative).

The franchising concept briefly outlined by us originated and was developed in conditions of free market economy. A question arises he-

<sup>5</sup> A big advantage of franchising agreements is reduction of economic activity risk of both partners. According to estimates of the Harvard Business School the number of unsuccessful agreements amounted to 10% in 1971 for franchisees and 1% for franchisers. (E. Burelle, *Une Explosion. De l'autre cote de l'Atlantique*, „Commerce Moderne” 1970, No. 1, p. 10).

<sup>6</sup> Marketing channel should be understood very widely, i.e. as a system of independent institutions and agencies participating in the process of transferring all ideas, products, and services from the place in which they were created, extracted or produced to their place of consumption. Physical flow of ideas, goods, and services in this system is accompanied by other flows i.e. of negotiations, sales promotion means, ownership and exclusivity rights, financial rights, risks, orders, and market information. (See: L. W. Stern, A. J. El-Ansary, *Marketing Channels*, Prentice-Hall, Englewood Cliffs, New York 1977, p. 4).

re — what are the possibilities of transferring this form of ties between companies to an environment based on central planning principles? If the application of this form was possible in the centrally planned economic system, there should be determined directions of changes in the environment of companies operating in the market.

## 2. POSSIBILITIES FOR APPLICATION OF THE FRANCHISING CONCEPT IN THE CENTRALLY PLANNED ECONOMY

The fundamental source of franchising ties in western countries was a trend towards progressive integration and economic co-operation. Integration and co-operation ties between individual companies were an answer to rapid processes of production and trade concentration and high level of market competition. Franchising, as it was originally applied, was grouping — first of all — small and medium-size companies, which wishing to survive in the market were compelled to choose some form of integration ties. Estimates of experts prove that without the franchising form of distribution, 52 per cent of present franchisees would lose their independence <sup>7</sup>.

In the centrally planned economy, the basic reason why we are analyzing applicability of franchising is a possibility of improving activities of domestic trade and service companies and utilization of this idea in international markets. The character of the centrally planned economy is not irreconcilable with assumptions of franchising, as franchising ties assume utilization of planning to maximize effects (profits) from the viewpoint of the whole system. Applicability of planning in development and operation of franchising organizations, not only for short and medium but also for long periods, is stressed by many western economists <sup>8</sup>.

One of chief advantages accompanying application of franchising in centrally planned economies is a possibility of integration and co-ordination of activities of many scattered trade and service units, and establishment of appropriate systems for particular market segments. This results from a fact that proper, tested, and adapted to a definite group of buyers systems can better satisfy consumer needs than large companies. Simultaneously franchising chains could obtain benefits similar

<sup>7</sup> S. D. Hunt, *The Socioeconomic Consequences of the Franchise System of Distribution*, „Journal of Marketing” 1972, Vol. 36, p. 33.

<sup>8</sup> E.g. E. T. Grether, *Introduction: Contractual Marketing Systems — Some Observations*, p. XV, and L. P. Bucklin, *The Economic Base of Franchising*, p. 33 (both articles in D. N. Thompson, *Contractual Marketing System*, Heath Lexington Books, Lexington, Mass. 1971).

to those of large companies as their activity would be carried on a large scale.

Nonetheless, application of franchising in the centrally planned economy calls for a number of essential changes in the way of functioning and management of the economy. First of all, it becomes indispensable to apply marketing orientation and further decentralize decisional processes. That implies for the franchise-giver a need to set up an original distribution system or a specific range of offered goods or services, as originality of the proposed solution provides a basis for conclusion of franchising agreements. Utilization of all elements of the marketing mix (product, prices, distribution channels and promotion) while formulating a strategy of companies is a prerequisite of effective functioning of franchising units in the market. For franchising to be employed in conditions of the centrally planned economy, the company and the central planning organ must accept the marketing orientation leading to better knowledge of the market and thus to better adapted, from the consumer's point of view, range of offered products. This concept simultaneously calls for resignation from production orientation in the company strategy. It is only the franchising system organized by marketing-oriented company that guarantees utilization of economic resources in line with general social preferences.

Introduction of franchising agreements in a centrally planned system calls also for creation of conditions allowing for a wider scope of decision-making freedom on macroeconomic scale, at the level of individual companies. A co-ordinating function of the Centre is preserved. Franchising, however, does not imply lack of control as performed by the Centre, of economic activity of units encompassed by this system. These units must still possess a right to create individualized distribution strategies, which could help in launching market competition. Evaluation system of companies should be constructed on the basis of new synthetic indices of evaluation linked with the system of wages and premiums, and giving preference to adaptability of companies to changing conditions of the market environment. There should be underlined individualization of solutions connected with variables characteristic for different companies and with branch differences.

Within a definite structure of marketing channels franchising leads to qualitative changes in particular flows, and mainly of negotiations, finance, information, and innovation diffusion.

The negotiation flow between economic units should be based on implies that there must be, first of all, created legal conditions defining individualized legal solutions (formal individualization of contracts). It this form of agreements (it is necessary to avoid a legal gap observed

in the case of the agency agreement). There should be determined a type of legal relationship of companies and principles of their financial settlements (financial flow). System of settlements might be based on experience gained by the agency agreement (system of payments based on economic effects — similar to royalties or commission system) or on new original principles.

The information flow, in case of franchising agreements, includes vertical and horizontal kinds of flows. Vertical flows encompass exchange of information between franchiser and particular units of the chain. The franchise-giver and the franchise-taker perform the functions of both receptors and emitters of information with the franchise-giver performing superior functions. In the system of centrally planned economy the franchise-giver would be, moreover, linked by the information flow with the planning Centre. Still, decisions concerning a strategy would be taken at the micro-level although preferences of the Centre would be taken into account. Decentralization of information flows calls for creation of a system legally sanctioning freedom of contacts between economic units and decision-making on the micro-scale. The vertical information flow from the franchiser to the franchisee or franchisees covers all elements of the marketing strategy of the chain and reduces the risk connected with economic activity of the company<sup>9</sup>.

The information flow is also connected with the innovation diffusion flow. In the centrally planned economy, with absence of antagonistic strategies of companies, the function of franchising ties gains a growing significance. Within a given franchising chain, the franchise-giver, having at his disposal a centralized information system, is equipped with a big innovation capacity and he transmits all new solutions to the remaining units of the chain. Thus the innovation diffusion depends largely on the information flow within the chain and on its relation with the environment, especially with the market. The level of competition as a factor determining innovations plays a smaller role in the centrally planned economy. In this situation, a dominant role should be played in this field by consumer needs and preferences.

The basic problem hampering realization of the concept understood in this way is to release innovation propensity in economic units of the centrally planned economy. In the free-market economy innovations are

<sup>9</sup> Effectiveness of information flows is also connected with expanding the scope of applied franchising agreements. A perfect form of information about possibilities and propositions of franchising agreements are the so-called franchising „fairs” at which exhibitors or potential franchise-givers offer their services (US example: Cherry Hill Mall Fair).

stimulated by profit and a wish to retain technological and organizational supremacy over market competitors. With absence of competition there must be created in the centrally planned economy a proper system of synthetic evaluation measures, as the innovation diffusion system cannot be introduced in an administrative-directive way. It must be a resultant of an individualized strategy of a chain of companies aiming at working out original solutions.

Potential application of franchising agreements in the centrally planned economy should be considered from the angle of the domestic market and foreign trade. In the domestic market franchising agreements would refer to ties between state, co-operative, and individual (analogy with functions of an agent) economic subjects, and to domestic companies operating in the country within the framework of international franchising chains. The foreign trade sphere would encompass Polish enterprises operating in foreign markets on the basis of franchising agreements.

### 3. INTERNAL MARKET

A wide branch scope of ties of franchising type should not encounter any difficulties in their application in the centrally planned economy<sup>10</sup>. Franchising seems to be fulfilling the requirement of optimal technique for distribution of services and products affording opportunities of standardization and large scale activities.

Originality of franchising, unlike agreements of the agency type, consists in organizing the activity of new economic units on the basis of tested distribution and organization techniques, and not in turning over to private economic units unprofitable units of the network. In the system of centrally planned economy in which the importance of private ownership of production means is limited, it can be expected that franchising agreements will concern, first of all, ties between units of the socialized economy, ties between economic subjects of co-operative type as well as mixed associations comprising the above mentioned economic units and those of private type. There can be excluded a possibility of establishing franchising chains grouping exclusively private economic units, although this form of ties might find some degree of application in agriculture.

In homogeneous and mixed ties (according to a criterion of ownership of production means) the function of a chain leader would be performed by a socialized unit. This unit should base its activity on mar-

<sup>10</sup> A full list of branch applications of franchising in western countries is quoted in the appendix.

keting principles and, in this way, possess a high innovation and adaptation capacity to environmental conditions. A basis for organization of a chain is elaboration of an original concept of the product or a set of offered services by the franchiser. It is impossible to initiate a franchising chain without originality of solutions of the franchiser. The Centre should select leading companies (possibly small and medium-size), which could perform functions of a chain leader for different branches or sets of services. Criteria to be adopted in this division should correspond to division of the market (e.g. segmentation) and not to division of the administrative type. A basis for selection of a given company should be provided by market research, and mostly by analysis of the company image among consumers as well as of demand for a given product or set of services. This research could be carried out by specialist research institutes, and it should be conducted regularly in various branches. The problem of selection of the franchise-giver is connected with a later policy of investment outlays for a definite chain of companies. Similarly location and selection of franchise-takers should be preceded by detailed market analysis. Later on, this research should be launched or commissioned by the chain leader in line with decentralized decisions on the micro-scale. Selection of dynamic economic units in the system of centrally planned economy seems to represent a basic problem for realization of the concept as discussed by us. Lack of active, marketing oriented units with a big market adaptability and innovation capacities accompanied by insignificant market competition and excessive concentration constitute the most important barrier here, which can still be overcome through introduction of the above mentioned directions of changes.

Function of the franchising chain leader would impose an obligation on the leading company to conduct an active marketing strategy based on regular market research and promote the group's good public image. Moreover, introduction of franchising would consolidate the role of brands and services in the market, and also through differentiation and individualization of provided services it would promote market diversification and increased competition. In a longer run, franchising ties usually lead to a monopoly, but monopolization in this case is qualitatively different from that which is created through the administrative-directive system, and it represents a consequence of effective marketing strategy.

In associations of mixed type grouping socialized and private economic units, a private unit should be utilized to a bigger extent than in the case of agency agreements along with its propensity to innovations, and development of active forms of selling. The flow of information

between the franchiser and the franchisee, determining a strategy of the chain can play a very important role here.

From the legal viewpoint the franchising agreement should be formally constructed with all terms carefully stipulated (rights and duties of both sides, and their relationships). An original aspect of the system in the market economy, which is equally valid in the centrally planned economy, consists in the fact that all companies encompassed by the agreement retain legal independence (legal personality) with simultaneous economic dependence on the franchise-giver (definition aspect of the chain's marketing strategy: product, prices, marketing channels and promotion elements and marketing control aspect in realization of the formulated strategy by particular franchise-takers). It seems, however, that in the centrally planned economy ties of the franchising type will contain many similarities with operation mechanism of the branch system (principles of subordination and marketing control) and fewer similarities with functioning of individual companies being characteristic for the market economy (although increased independence of companies should be also postulated — especially when defining individualized marketing strategies).

Last but not least element determining the economic effectiveness of franchising is elaboration of an original system of settlements between franchise-takers and franchise-giver, which would stimulate development of this type of ties. Such a system should, to a bigger extent, give preference to competitiveness of companies and accuracy of their production from the point of view of target market segments<sup>11</sup>.

Another form of franchising application in centrally planned economies can be inclusion of domestic companies to international franchising chains. This form of ties was already applied in some countries (Yugoslavia, Hungary) although not on a large scale. The agreements so far concluded in this area provided mostly for construction and exploitation of hotels, tourist facilities, and production as well as distribution of soft drinks e.g. Coca-Cola, Pepsi-Cola<sup>12</sup>.

An essential reason why this type of ties was the first and only one

<sup>11</sup> One of the markets in which integration ties of franchising type can be launched is the market for catering services being characterized with development dynamics and big power of absorption. Specific features of services offered (especially restaurants and bars of „Fast-Food” type) allow their considerable standardization, which increases their profitability when adopting solutions of large scale companies.

<sup>12</sup> E.g. in Poland franchising agreements were concluded in the field of hotel industry (with Novotel, Intercontinental, and Holiday Inn-chains, tourist services Avis, Hertz, Rent-A.Car), and Coca-Cola and Pepsi-Cola companies.

to be adopted in the planned economy system was inadequate adaptation of the management system to requirements posed by franchising. With absence of marketing orientation in the domestic market, considerable centralization of the decisional process, and lack of own, original patterns of franchising systems, it was the only applicable type of ties in Polish conditions. Application of such ties was, moreover, prompted by a need for rapid development of tourist and hotel facilities connected with development of different forms of co-operation with abroad as well as financial reasons discussed below. In the case of Poland, inclusion of domestic companies in international chains did not encounter any additional difficulties of legal nature as all agreements were concluded in accordance with binding regulations of the Ministry of Foreign Trade and Marine Economy. Decisions concerning application of these ties were, moreover, conditioned by micro- and macroeconomic and social benefits, as participation in the existing international chains affords a chance of transferring „into the internal market in a short time” of tested, known and well functioning models of foreign companies. Agreements of this type may also promote bigger innovation propensity among domestic companies, improvement of organization and functioning of economic units in different sectors of the economy e.g. in trade, production and services, and they may contribute to improved quality and expanded range of offered services, mainly through utilization of the demonstration effect.

There are two main barriers which hamper import of franchising agreements in centrally planned economies and which account for limited application of franchising. The first and most essential one is the financial system in socialist countries. A need of effecting settlements in foreign currencies accompanied by lack of convertibility of own currencies into currencies of capitalist countries and prevailing deficit of payments balance with these countries pose a huge obstacle here. In this situation franchising deals are applied in such spheres as hotel or tourist industry where at least a part of payments is effected by clients in convertible currencies. This factor, among others, was of decisive importance for predominance of franchising agreements in the Polish hotel industry.

The other important barrier is scarcity of capital. Companies joining a given chain must meet numerous requirements. Both the standard of equipment and services as well as organization of companies, must correspond to similar units of the franchising chain in other countries. In the case of Poland, where among this form of ties prevailed contracts in the hotel industry, investment difficulties did not allow for expansion of the number of agreements in this field. Too low standard

of functioning hotels and lack of possibilities for their adaptation to norms imposed by the system (e.g. quality and range of provided services, equipment, location) made it necessary to employ only this form of participation in the already existing hotel chain, which provided not only for manner of exploitation but also for construction of hotels<sup>13</sup>. In future, conclusion of agreements concerning only the way of functioning and exploitation of the chain links without a need of incurring large investment outlays may promote bigger applicability of this form of franchising ties (e.g. in catering industry or some types of services).

Further increase of „import” of franchising ties will require, however, some changes in domestic markets of particular countries. There primarily arises a need for introduction of the marketing concept to the functioning system of the economy and creation of appropriate legal system regulating various questions connected with conclusion and execution of agreements.

International franchising chains sprang up and developed in conditions of capitalist economy. In order to maximize effects (profits) their activity is elastically adapted to changing environmental conditions. These firms employ proper elements of the marketing mix, they conduct comprehensive market researches, manipulate the market by means of promotion, price, and product. In our conditions, lack of marketing orientation and market equilibrium often reduce advantages produced by membership in a franchising chain. Advertising and other form of promotion are utilized to a smaller extent, and there is, moreover, missing competition which largely stimulates the market activity of a company.

Quite often when concluding franchising agreements we are dealing only with application of the tested systems patterns alone, while too little attention is paid to the problem of right selection of the chain according to environmental conditions. It can thus happen that e.g. due to psychological, cultural, or customary factors characteristic for a given segment it will be impossible to apply a definite form of franchising in a concrete market. As an example we may quote here a failure of the American franchising chain „Kentucky Fried Chicken”, which for these reasons was not accepted in the FRD market<sup>14</sup>.

<sup>13</sup> There are essentially two formulas of admitting a new economic unit to an existing hotel chain. The first one is to conclude a franchising contract for construction and exploitation of a hotel. The other one consists in inclusion of already existing hotels to a hotel chain. In the case of centrally planned economy e.g. in Poland, there was used only the first form.

<sup>14</sup> E. Skaupy, *L'Allemagne a l'heure de la franchise*, „Commerce Moderne” 1972, No. 2, pp. 21—24.

Expansion of the number of contracts and fields, in which franchising agreements will be employed, may give rise to different legal conflicts in future. It thus becomes necessary to draft appropriate legal regulations which would define in detail both the forms of franchising contracts and methods of solving all disputes, which can appear between both sides. Apart from that, it should be explicitly stipulated who is authorized to conclude agreements of this type on behalf of centrally planned economies. Will it be independent domestic companies, or authorized representatives as e.g. the Tourist Agency „Orbis” in the field of hotel and catering industries in Poland? It seems that with the present lack of the marketing concept application and due to a danger of divergencies between goals and methods of operation of companies associated in international chains and central plans in individual countries, there will dominate for the time being associations between international companies and larger economic units (e.g. unions of producers).

After elimination of different factors hindering development of international co-operation in the form of franchising association, there will still remain a sizable barrier of finance. It can be expected that in many cases these difficulties could be solved on the way of bilateral or international agreements. The advantages afforded by franchising ties between companies make it highly probable that both this form of franchising ties and the idea of forming own franchising chains will find wide application in domestic markets of centrally planned economies.

#### 4. USE OF FRANCHISING TIES IN EXPORT

Apart from application of franchising ties in domestic markets, it is also possible to apply them in international trade. This concept includes establishment of supranational franchising chains by companies from centrally planned economies. Institutions operating in domestic markets of these countries would be initiators and creators of such ties with foreign companies assuming the role of franchise-takers. Chains of this type could be formed both within the framework of the CMEA and in capitalist countries.

Importance of franchising in company development, not only on national but also international scale, was underlined by prof. J. P. Sallenave<sup>15</sup>. Franchising is today qualified as one of four predominant ele-

<sup>15</sup> In 1973 at a conference on development of Canadian foreign trade in Toronto, prof. J. P. Sallenave from Sherbrooke University described franchising as one of four elements determining company development on national and international scale after production, finance, and marketing. (See: L. W. Stern,

ments of the company strategy after production, finance, and marketing. This important position attributed to franchising provides one more argument justifying a need for creation of suitable conditions for its application. To conclude a franchising agreement the franchiser must possess an original offer of goods or services, and there must be worked out a proper system of financial settlements on the national scale, and norms and regulations with regard to forms of payment in international trade as well as application (as mentioned above) of adequate marketing strategy.

In conditions of the centrally planned economy there has not been elaborated as yet its own franchising system applicable in foreign markets. Absence of original and tested form of franchising ties operating under a definite brand and possessing a proper image, limited application of the marketing mix elements, and deficit of financial resources necessary to initiate any activity in third markets (first of all to launch expensive advertising and promotional campaigns) — all make it impossible for socialist companies to play the role of a franchiser in present situation. Some solution here, which may ultimately lead to creation of a franchising system, is establishment of branch companies providing a definite type of services or selling exporter's goods in foreign markets, which on obtaining a high position in the market and gaining acceptance of local buyers could become initiators of the franchising system. Such a chance for Poland may be afforded by e.g. Hortex company, offering a rich assortment of processed fruit, pastries, and possessing a number of branch stores in socialist countries as well as Cepelia company. In a similar way attempts can be made to launch an international franchising system in such branches as furniture, textiles, toys, leather goods, footwear and others.

Finally it is worth stressing the profitability of applying franchising ties in foreign markets both in the sphere of industry, services and trade. Analysis of advantages and risk of franchising in comparison with other types of agreements and methods of export organization is presented in Table 1.

It appears that only franchising affords possibilities for performing a strong marketing control and elaborating quite long planning horizon of activity of contracting partners in a foreign market with simultaneous elimination of a minimum trade and financial risk resulting among others from a small degree of allocation of the franchiser's own capital.

Thus the postulated employment of franchising in third markets

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A. J. El-Ansary, *Marketing Channels*, Prentice-Hall, Englewood Cliffs, New York 1977, p. 117).

Table 1

Comparison of benefits and risks according to a selected development system

Selection criteria	Systems Export	Licence	International franchising	Industrial franchising	Joint venture	Direct investment
Size of investment	small	small	small	small	changeable	high
Control of foreign activity	small	small	strong	strong	changeable	very high
Planning horizon	short	short	changeable	long	long	very long
Risk: trade* financial**	large small	large small	small small	small small	changeable changeable	changeable changeable

\* Trade risk — risk of remaining with unsold product connected with small control of marketing activity abroad.

\*\* Financial risk — risk of losing the invested capital.

Source: Eurac (EPAC Canada) quoted in collective work of *Chambre Nationale des Conseillers Financiers — Technique et Pratique du Franchising* (Dunod Enterprise), Paris—Bordas 1975, p. 121.

may constitute a form of not only organization of activity on an international scale but also of export expansion and improvement of its effectiveness. It represents an important element stimulating acceleration of supranational development of enterprises, which from the macroeconomic point of view in conditions of centrally planned economy may especially contribute to acceleration of socio-economic growth rate in individual countries and thus to their increased participation in the international trade.

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#### MOŻLIWOŚCI ZASTOSOWANIA FRANCHISINGU W GOSPODARCE CENTRALNIE PLANOWANEJ — NA PRZYKŁADZIE POLSKI

Opracowanie dotyczy możliwości aplikacji franchisingu w systemie gospodarki planowej. Autorzy scharakteryzowali podstawowe zasady tworzenia powiązań typu franchisingowego, wskazali na dotychczasowe formy stosowania franchisingu w gospodarce centralnie planowanej — szczególnie w Polsce — oraz

określili warunki dalszego upowszechnienia tej formy związków. Omówione zostały również kierunki i formy aplikacji franchisingu zarówno z punktu widzenia rynku wewnętrznego, jak i działalności w handlu zagranicznym. W pracy podkreślono także opłacalność ekonomiczną stosowania franchisingowej formy powiązań przedsiębiorstw z punktu widzenia mikro- i makroekonomicznego w porównaniu z innymi typami umów formalnych, jak np. licencja, koncesja, agencja czy jointventures. Do pracy dołączona została lista branżowa obejmująca podstawowe kierunki zastosowań franchisingu w krajach zachodnich.

## Appendix 1

Branch Break-up of Present Application of Franchising Agreements  
(based on „Techniques et pratique du franchising”, Paris, Bordas 1975)

Industry	Hotel and Catering Industries
Producers of automobile spare parts Detergents Cosmetics Industrial suppliers Equipment and installation of heating systems Food products for industry Printing shops Toiletries	Hotels Motels Exploitation of camping areas Swimming-pools Organization of congresses and seminars Dancing schools Night Clubs Holiday resorts Restaurants Plaza restaurants Snack-bars Coffee-bars Tea-bouses Milk-bars Pastry shops Drugstores Ice-cream shops
Agriculture	
Protection of trees Agricultural work Horticulture	
Distribution: Trade	Fast-Food
Grocery retailing Multiple stores Supermarkets Discount stores Catalogue houses Specialist stores: TV and radio articles Gramophone records Souvenir stores Articles for newly-weds Articles for baby care Articles for children Textiles Clothing Jewellery Specialist wholesale chains Suppliers for ships and planes	Fried chicken Hamburgers Donuts Roastbeef sandwiches Pizzas Canteens Chinese restaurants
	Various Services
	Maintenance services Laundry services Sanitary services Window-washing services Repair services (radio and TV) Gardening services
	Medical and Cosmetic Services
	Beauty parlours Barber shops Nursing services Ambulance
Professional Services	
Accounting services Financial and legal experts Marketing services Salesmen training etc.	