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FRANCHISE IN ROMANIAN TOURISM

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Abstract:

Both on national and international scale, tourism business is improving continuously, by adjusting to the tourists' demands, resulting in modification and adaptation of organization and association forms in this area. One of these is the franchise affiliation, an original way of doing business that combines the entrepreneurs interest in keeping their own undertaking with that belongs to a group with well-known brand which aims to expand on national and international market. This paper will discuss two important areas of the Romanian tourism industry in which franchise agreement is applied: travel agencies franchise and hotel franchise. On a national scale, franchise was adopted as an expanding strategy by the travel agencies, on one hand, notorious tour-operators that has accumulated know-how and has proven its successful applicability, and, on the other hand, small and medium entrepreneurs who saw in the franchise affiliation an opportunity to develop faster and more reliable business. Also, the Romanian hotel owners with financial resources have seen in hotel franchise an easier way to obtain higher profits. In today's competitive and global hotel market, being part of a group of hotels that share a recognized brand and provide quality services might mean the difference between financial success and failure.

Key words: franchise, know-how, brand, travel agents franchise, hotel franchise

JEL Classification: L14, L83, M16

1. INTRODUCTION

Tourism is an important component of economic and social life for a growing number of countries. By its proportion and complexity, tourism entails a large natural, human and material potential, having profound implications on the dynamics of economy and society, on international relationships. From the economic point of view, tourism constitutes also a source of recovery of national economies of those countries which have important tourist resources and exploit them properly. On the social area, tourism contributes to the improvement of living conditions and last, but not least, is an important jobs generator. In this context, tourism participates significantly to the overall progress as a promoter factor of globalization and sustainable development.

Chains and groups of companies working to provide tourist services, real emperies operating in almost all countries, support, by the profits made, further development of tourism industry in all its forms (hospitality and leisure, treatment, business, sport, medical, eco-tourism, rural tourism, etc.) and the diversification and adaptation of methods of marketing tourism products.

2. AN OVERVIEW OVER FRANCHISE

Franchise is one of the national and international expanding strategies. *International Franchising Association (IFA)*, the organization which currently holds the role of promoter of this kind of affiliation, defines franchising as *a method of distributing products or services. The franchise entails at least two persons: franchiser, which lends trade name, trademark and business system, and franchisee, which pays a royalty and often an initial fee for the right to do business under the franchiser name and system.* (1)

In Romania, G.O. no 52/1997, republished, regarding the Legal basis of franchise agreement, shows that franchise is *"a trading system based on continuous collaboration between individuals and legal entities, financially independent, in which a person, called franchiser, entitles another person, called franchisee, to exploit or develop a business, product, technology or service"*.

Partners who come into contact are the **franchiser**, who set up a production process or method of making business with goods or services, and **franchisees** (beneficiaries), as independent entrepreneurs, willing and able to promote the process or method, having the necessary right and license for goods and services production or marketing.

Studied definitions particularly emphasizes the **original concept of the franchise affiliation**, which consists of transferring the rights to use a package of intellectual property rights concerning to one or more manufacturing or marketing licences, industrial design, patents, trade secrets, know-how, plus the ongoing technical and commercial support. (2)

- **Trademark** has a crucial role because if it does not meet the necessary requirements to be protected, building a franchise network is impossible. Franchiser remains the owner throughout the contract and franchisee only has the right to use it exclusively for the business defined by contract.

- **Know - how**, as a set of knowledge and practical methods experienced by the franchiser, should be secret (inaccessible to third parties who do not belong to the affiliation), substantial (useful for the franchisee) and identifiable (must be described in a sufficiently comprehensive manner so as to make it possible to verify that it fulfils the criteria of secrecy and substantiality). (3) Transfer of know - how assumes that the franchiser first synthesized all the theoretical knowledge regarding his commercial success, as he checked in concrete application in a pilot unit (usually in the form of a branch).

- **Technical and commercial support** aims to facilitate understanding, assimilation and, ultimately, applying the know-how. Franchisee receives assistance:

- *preceding the business start*: staff training; assistance in location's selection, support for obtaining funding, developing and delivering market research; providing an effective computer network support for sale and advertising;

- *after the "grand opening"*: business support; advice on legally, financially and accounting issues; conceiving and implementation of advertising campaigns; assistance in the business performance analysis.

The conclusion is that franchise is a way of doing business "for oneself but not by itself". (Ginneken and others, 2003)

From a legal standpoint, the franchise has a bilateral character, giving rise to mutual obligations between the parties. Franchiser's main obligation is to transfer the concept of doing business. Correspondent obligation of the franchisee is to pay the price for the franchised concept.

a) **The franchised concept**: through the contract franchiser gives the franchisee the right to use the concept of the doing business that put up and tested. The franchiser experience proves the viability of the system and the profits made justify the franchise affiliation. The next step is transferring the right to use the created and tested concept of doing business.

b) **The franchise fee** (entrance fee on the affiliation): is the price that franchisee must pay for access to the franchise network, and for the right to use the trademarks of franchiser and his know-how during the contract. The franchise fee is usually fixed and rewards some services such as assistance provided before the opening of a franchised business, promotions, and outgoing support over the first few months of activity.

c) **Price for exploiting the franchise concept** (royalty): is the amount that the franchisee must pay to the franchiser for: using his trademark and other distinctive signs, using the updated franchiser's know-how; receiving commercial and technical support, provided on during contract; professional improvement. Franchise agreements may provide for a minimum fee to be paid even if the franchisee didn't have any income, but there are cases in which the franchiser doesn't require periodic payment of a royalty.

Collecting fees on a continuous basis is important to the franchiser and because it will be its main income. Therefore, he must ensure that he achieves a reasonable profit, for investing in maintaining know-how efficiency and network expansion.

However, even if in time collaboration-based franchise has proven its success, like in any other business there is "the other side of the coin", because both the franchiser and the franchisee may face certain difficulties. Some of these disadvantages for the franchisor are presented below.

- a) His profits depend on the franchisee profits.
- b) The risk of further damage the brand, company, products and services reputation of the franchiser, which can occur even in spite of his permanent control; it is even possible that failure in a franchise to produce negative effects throughout the network.
- c) Financial risks in case of practicing too low prices when selling franchise, motivated by the desire for rapid expansion on the market; they may lead to diminishing financial security and disability to support and to ongoing develop the brand.
- d) Because his less dependence on the owner, the franchisee can become more secure as a result of this experience, being able to use knowledge and experience gained to develop its future business or even to set up a competing firm.

Few of these difficulties can be overcome if the franchiser: makes a very careful selection of potential franchisees; provides in the contract a clause of confidentiality and non-competing; permanent control over the affiliates. Some disadvantages may also occur for the franchisee.

a) Greater Investment and Lesser Profitability. Usually, the franchisee is required to pay an upfront fee to buy into the franchise as well as pay royalties on sales or management fees. He will probably be required to buy all the supplies and raw materials from the franchisor or his favoured supplier, even if it is not the cheapest supplier available. So, buying a franchise can be expensive.

b) Performance of other franchisees. If they start to lower the standards and to diminish the quality of products and services, it reflects on the entire franchise network, causing difficulties to the franchise and decreasing brand value on the market. Lack of performances will be reflected throughout the franchise system and not just in a single unit.

c) Apart from financial difficulties, maybe the most important is lack of independence. Franchised operations call for uniformity, they do not encourage system-wide innovation and creativity, as it may lead to differing products and services. The contractual obligation binds the franchisee to follow the stipulated guidelines as documented in the operations manual. Franchisors will only allow selling the products that they approve and normally supply. It may have no flexibility to modify the product or service range to suit the local market. It is therefore essential for any franchise business to find a middle way between standardization and adaptability. In addition, the franchise agreement can provide the franchiser right to check how its know-how and marketing techniques are applied, the advertising campaign conducted at local or regional, book-keeping.

So, to conclude, it is imperative for an entrepreneur to weigh the pros and cons before deciding whether to go for a franchise or not.

3. FRANCHISE - DEVELOPMENT STRATEGY FOR ROMANIAN TOURISM

Tourism is one of the world economy's growth sectors. Despite crisis-induced slumps the long term growth trend appears to be stable. Tourism is a beneficiary of the irreversible process of globalisation and indeed is an accelerating factor for this process. The world tourism market has been extended a lot, adding considerably to the potential for further growth and at the same time bringing about greater competition between tourism countries. In view of the importance of tourism in most countries there is a real need to think through the consequences of the restructuring now taking place as a result of the globalisation process and to develop new concepts to accompany tourism-dependent small and medium enterprises. That's why, especially for this kind of enterprises, integration and cooperation strategies are a necessity.

One possible partnership is the franchise affiliation, as a strategy for tourism development through horizontal integration. Franchise gained increasingly more ground due to the specific advantages conferred to the franchiser and franchisees, but also because of improving economic climate in our country, encouraged by legislative stability, low inflation, increasing purchasing power of Romanian people. This way of doing business demonstrated its viability in at least two areas of the Romanian tourism industry, as which we refer to: travel agencies franchise and hotel franchise.

4. TRAVEL AGENCIES FRANCHISE

Small independent retail travel agents are becoming increasingly vulnerable as their operating environment changes and become more aggressive. Many are looking for some form of independent umbrella support, as a strategy designed to sustain or grow market share. Consequently, a major trend within the retail travel sector has been the creation of franchise organizations with strong power basis. Generally speaking, franchise allows easier access to a business and offers the benefit of the brand "from behind". Basically, it is easier to access to a wide range of products, facilities and organizational capabilities already tested successfully by others, including the know-how of professionals. In particular case of travel agencies, national franchise network are more present, being developed by well-known tour-operators, which in time, have attracted large segments of the market: "Paralela 45", "Perfect Tour", "JInfo Tours", "Marshal Turism", "Caravelle Turism". To these is added "GloItalia Travel Network", an international franchise. Specifically, the benefits obtained by the franchisee are:

▪ **In terms of know-how:**

- Access to the franchiser on-line booking system (i.e. "Perfect Tour" franchise ensure access to the reservation for the German tour-operators and the main whole-sellers on the market and to the Customer Relationship Management service);
- Territorial exclusivity;
- Using the website and on-line reservation system not only for accommodation but also for airline tickets and package tours;
- Using franchiser trademark along with trade name, logo, slogan, and other symbols used in identification and promotion of tourist product;
- Using integrated and uniform computerized informational system throughout the network to facilitate intercommunication and linking franchisee with its partners; the benefits are considerable, allowing the management of the entire franchisee's activity (back-office) and the interaction throughout the interface, which is visible to the operator and customers (front office);
- Quick market entry, because, in contrast to new developments, travel agencies franchise makes it possible for beneficiary to start its online business as soon as in just few months' time.

▪ **As regards information:**

- Access to franchiser tourist offers base, having the opportunity to meet availability and make instant bookings;
- Targeting the applications coming from franchiser site to the franchisee;
- Managing customer databases;
- Facilitate rapid movement up the learning curve, utilizing the knowledge and experience of the franchisor, particularly crucial to franchisees new to an industry sector and specifically one as complex and specialized as the hospitality industry.

▪ **Regarding customer satisfaction:**

- Access to the best prices on the market for a range of tour packages;
- Offering a diverse range of services from low-cost holidays to taylor-made offers, depending on the requirements of each client;
- Informing customers about the best offers, last minutes offers;
- Placing customers in various loyalty programs.

▪ **Regarding the support from the franchiser:**

- Providing appropriate design plan for the space organization;
- Permanent support for franchisee's employees;
- Promotion and communication the franchised agency, using corporate ID package, catalogues, various prints, models, integration in franchiser national campaigns, participation to tourism fairs and exhibitions;
- Increasing franchisee's visibility by the presence of tourist offers on banners and on the most visited portals;
- Support for organizing presentations and participation in auctions;

- Continuous updating of the offers running on the monitor window of the Agency, from the franchiser premises;
- Training for "customer care";
- Financial support / credit up to 30 days (i.e., "Perfect Tour" franchise);
- Assistance for obtaining ISO certification;
- Organizing info-trips to market required destinations, considering that "you can not sell than what you see" (i.e., "Paralela 45" franchise).

Franchisee may be the owner of travel agency that wants to work under a strong brand, a travel agent with experience who wants to start his own business or an enterprise of other branches which wants to develop business under a particular brand. For affiliating to a travel agency franchise, franchisers require criteria on the minimum capital and obtaining the travel licence.

Buying a franchise in tourism is one of the most affordable ways to get into a business in the key hospitality industry in Romanian tourism. Financing a travel agency franchise will most likely be easier than trying to finance a new start-up company. Banks are sometimes more likely to lend money to buy a franchise with a good reputation and a proven track record. The costs of franchising are significantly lower than developing, maintaining and marketing one's own web site and know-how, since costs are divided between several franchisees. Savings may total to 90% or more. (4)

Franchisees must pay a minimum entrance fee that starts at 1,000 euros, including the initial ID (credit cards, brochures) and the right to use the franchiser trade mark. In addition, there is a monthly royalty (fixed or variable), whose level is determined by the contract. This covers the costs of training and maintenance. Part of the fee is distributed to the marketing and advertising.

In "Caravelle Turism" franchise, franchisee must pay an amount of 4,000 euros / year contract in two stages as follows: 2,000 euros up to 6 months from the date of signing the contract and 2,000 euros to 12 months from the date of signing the contract. No fee is payable for entry into the system. At "Perfect Tour", the franchise fee is 2,500 euros, plus monthly management tax. In addition, the contract stipulates a minimum volume of sales, set at 100,000 euros for the first year, this objective being reassessed annually. Entrance fee in "Paralela 45" franchise is 1,000 euros. The royalty of 300 euros is payable three months after the grand opening.

Franchiser makes the selection of franchisees also considering the location, which should be central and frequented place. For example, Perfect Tour requires a minimum area of 30 square meters and at least six linear feet of glass. Paralela 45 requires at least 25 sqm useful area. Caravelle Turism franchise requires street opening at least 4 meters and an area of minimum 21 sqm.

From a legal standpoint, the first step for a franchise contract for a travel agency is pre-contractual phase, which allows each party to confirm or not the decision to collaborate. This is the time between the first contact between the parties and the signing of the franchise agreement, which held an exchange of information and negotiations on terms and conditions of future cooperation. Franchiser is forced by the law to provide a range of information, such as accumulated and transferable experience, the financial terms of the contract (entrance fee, annual fees, other financial contributions), the list of existing franchisees (with contact data) to allow the beneficiary to know how viable can be the future cooperation. Pre-contractual phase ends with the signing of a contract of appointment, which contains the franchisee's commitment not to disclose any information that could harm the image and smooth relations between the parties. Meanwhile, franchiser is required not to seek another partner in the same area, without consulting the franchisee, as a future partner.

If the negotiations are concluded successfully, the two partners should establish a working diagram for the training period, which involves training programs, assistance, consultancy and advertising for franchisee. Further, each franchisee runs its own business as a separate entity that remains legally, financially and managerial independent.

In the context of current economic and financial period, a good way for business development is opening units considering franchise affiliation, instead of taking over the small travel agencies. This strategy ensures franchiser's brand development and new sources of revenue with minimum investment in the context in which an important measure adopted by major travel agencies in 2009 is to reduce spending and investment (the decline in some cases can reach up to 50%). (5)

Franchise can be a viable alternative especially for small travel agencies facing financial difficulties because, on the one hand, the use of trademarks and know-how of an experienced tour-operator on the market can attract customers, and furthermore, the investment effort necessary to support an independent business is considerable diminishes.

5. HOTEL FRANCHISE

The field of tourism has developed a dual economic structure over the years. Whereas in the target countries or destinations small and medium enterprises continue to offer such tourism services as accommodation, catering and leisure time activities, an international travel and tourism industry has gradually emerged in the source countries as part of the globalisation process. Hotel chains grew out of a desire to satisfy the needs of business travellers. The international travel and tourism industry, particularly the hotel sector, a leading branch of tourism, consists mainly of big companies that organise tours to various destinations on an industrial basis. They offer standardised products and develop global strategies that enable them to make the best use of the local potential anywhere on the planet.

Nowadays, in expanding hotel chains the general applied principal is dissociating the property over the real estate from the property over the intangible assets as trademark, brand, intellectual rights, patents, licences etc. Therefore, instead of a single company, the preferred alternative is to establish a company, with its real estate patrimony, that is legally distinct from that which holds ownership of the intangible assets. Considering this, after launching their business, big hotel chains have developed their networks without investing in properties in order to avoid restraint of funds and worsen financial situation. They have extended on the international markets by franchise agreements, management contracts, location or renting. Whether management is provided by the owner-investor (in case of franchise agreement) or not (the management contract), use of the hotel brand and the means of exploitation and marketing are guaranteed as well as the quality of services.

Hotel franchise agreements renew hotels' accommodation capacities, turning to account the double advantage for franchiser and franchisee. Franchiser brings out its brand, its trade name, its experience and reputation. For him, franchisee is both a client and an associate, which brings its technical and finance support in order to ensure the success of the affiliation. In addition, franchiser helps managing the franchisee's business via its commercial and centralized and computerized reservation system, through publicity and conciliation in terms of investment and management. Franchisee brings his personal capital and assumes financial risk throughout the hotel investment. His hotel benefits by applying (along with conservation) the chain brand criteria in terms of comfort and accommodation services. **Range of services provided to the franchisee consists of:**

- *Basic services*, including the provision of know-how, technical support, conciliation, regular checks (but also "mystery guest" check), territorial exclusivity, promotional activities; remuneration for basic services is based on annual or fractions of a year, calculating as a percentage of turnover of accommodation business or as a percentage of total turnover, either as a lump sum / room / year;

- *Occasional services*, including assistance that the franchisee may expressly request (local advertising consulting, experts in management, engineering, public relations, personnel);

- *Optional services*, voluntary provided by the franchisor: appointments service; advertising for the whole chain; advantages granted by the chain suppliers; training.

The first step in figuring out how to start a hotel franchise is deciding which franchise to pick. With an increasing number of hotel companies offering franchises, the selection process can become complicated. Besides the generally criteria, there are many other specific factors to consider, because of the hotel chain international expand. Therefore, the franchisee has to understand at least the following: the brand image along with the specific level of quality; the market segments to be served; the franchisor's future on the host country market and on the international market; the performance of the hole chain and, particularly, of every franchisee; the probability of some conflict of interest, arising both within a specific brand segment of the chain or between brand segments with chains having more than one brand; the possibility of adjusting the

supply to tourist demand, according to the specific condition of the local market; the total cost, comparing with the benefits of the affiliation.

Traditionally, the cost of a franchise has been defined in terms of initiation, royalty, marketing and reservation fees. However, expenses involved in maintaining the affiliation (such as complying with system standards, providing amenities, signage, costs of utilizing proprietary software etc.) and promoting the affiliation (such as frequent guest promotional programs) should also be accounted for in estimating the total costs, to the extent that they represent costs that a beneficiary wouldn't otherwise incur on its own.

The benefits of the affiliation are based on evaluating the franchisor's performance. One of the primary barometers is the volume or percentage of business generated by the central reservation program. But this should not be the single way of evaluating a franchise program, because a booking through a franchisor may or may not represent business actually generated by the franchisor. Furthermore, different franchise may have very different ways of accounting for reservations activity (i.e. call volume, conversions, cancellations, gross vs. net bookings etc.). So, it is important to identify alternative ways of evaluating the costs versus the benefits of franchise programs. Alternative approaches might include:

- assessing the bottom-line vs. top-line impact of franchise fees: the cost of a franchise has been measured in terms of its top-line impact represented as a percentage of revenue; but this ratio doesn't take into account that the profitability of different hotel types can vary substantially;
- estimating the net effective or actual cost of business generated by a franchise: the net effective cost is the ratio of franchise fees to the percentage or volume of business actually generated by the franchisor;
- estimating a "break-even" point, which means to estimate the volume of business that would have to be generated to just cover the cost of a franchise, by dividing the cost of the franchise by the estimated departmental profit per room sold.

HOTEL FRANCHISE IN ROMANIA

In Romania, hotel and hospitality industry is placed on an upward trend, especially developed around large cities or in areas with strong potential for economic development, supporting development of the whole country in terms of tourism. It is clear that joining the EU, harmonization domestic laws with those of the European Council, existing demand on the local market, cause a high return to the investment in running a hotel, especially on the medium and long term.

As a way of managing a business in a hospitality industry, franchise is the affiliation to a branded network, which removes at least the disadvantage of higher costs for advertising a new name. In addition, the franchisee has territorial exclusivity and ongoing support which franchiser is required to ensure throughout the contract.

In Romania nowadays operate international franchises, affiliated to well-known brands such as: Americinn, Best Western, Golden Tulip, Hilton, Howard Johnson, JW Marriot, Worldwide Ramada, Wyndham, Intercontinental Hotels Group (until 2007).

Being a franchiser in the hotel industry on the domestic market, one's requires the following conditions: a well-known brand, a registered trademark, a full operational business in the hotel area and the ability to provide the franchisee a set of knowledge in order to exploit the brand. Requirements for hotel franchisee are: managerial and financial standards, respecting the common identity of the franchise hotel chain (the same hotel image and equipment, the same services quality and the same technology used), confidentiality on the know-how provided.

Relationship between franchiser and franchisee takes place in three stages, mentioned by the law regarding the legal basis of the franchise: pre-contractual negotiation, signing the contract and post-contractual relationship.

On the pre-contractual stage the decision of the two partners is made to work up to, also establishing details concerning the chain entrance fee, annual royalties, transferable know-how and contact details of the present franchisees, so that future beneficiary may find motivation to move to

contract stage from reliable sources. Negotiating the franchise contract is the most important step because the partners must agree on certain terms and conditions. Rigorous solutions to these issues are essential, whereas they affect throughout running the franchised business. Therefore, it is indicated the presence of lawyers, experts, accountants, franchises and management consultants.

The costs involved in affiliation of a hotel to an international chain are the investment cost, the entry cost into the network and operational costs.

The investment cost to be made in order to raise the location up to the hotel quality standards, depends on the way in which the entry on the Romanian market is made: "rebranding" or "greenfield". A rebranding of an existing property which can be converted to conform the franchiser's requirements regarding the original brand, takes approximately six months and, in case of a greenfield, it takes 1-2 years. Some of the franchisors are going, however, to greenfield (starting from scratch), because some buildings are old over 30 years, with structure massive problems, which is to increase investment and long time scales. Either way this cost may amount to several million (or more), depending on the complexity of the initial investment. (6)

The entry fee includes the cost of joining the affiliation and specific costs: hotel equipments, decorative elements, training, operational manual. The entry fee can vary between 10,000 and 1,000,000 euro and even more for a well-known international hotel franchise. The amount depends on the degree of comfort and on the capacity of the hotel. Fees may be fixed or percentage. A franchised hotel provides consistent marketing policy, manual of hotel standards and operational procedures, effective distribution channels, strong and credible brand, visible image solutions on the local market and global requirements for quality for all affiliated hotels.

Operational costs consist of royalties and charges imposed by ongoing training. Usually, royalties are proportionate to the annual turnover. In addition, franchiser may impose a minimum periodic fee or achieving a certain turnover in order to guarantee the franchiser minimum income.

Duration of contractual relationships based on franchise depends on the characteristics of each franchise. Law requires that this term should be established so as the recoup the investment to be insured. Generally, the duration is between 5 and 10 years, with possibility of extension.

Part of the success of expanding the international hotel chains is due to management and consulting companies operating within the hospitality industry on the Romanian market. Their number is reduced while the potential of this segment is growing. These include: Trend Hospitality (coordinate Wyndham franchise on the local market), Peacock Hotels Management (managing franchise Golden Tulip), Concept Consult & Prospect (coordinates Best Western franchise), Fivestar Hospitality. Lately, entrepreneurs who run smaller projects appeal also to these companies, because the know-how that they bring provides a guarantee in addition to investment success. Given that the local market needs a coherent strategy for investment and financing, both from private investors and government authorities, the role of management and consulting companies is much higher. Range of services offered by such companies varies from feasibility studies, to business strategies, execution of hotel transactions or finding the suitable brand for a specific hotel.

Compared with an independent business, hotel franchise brings out the advantages of the group strategy under which it operates, being characterized by functionality, financial results and optimized image. A hotel franchise brings to affiliate hotel value added through the international brand, but also through improved quality of services. Considering, the expectations in the hotel industry is that brands are becoming more important because, in reality, they give customers and shows the position of each hotel chain on the market. Brand, not the number of stars, offers competitive advantage due to the quality of the hospitality services. (7)

Due to the competition on the hospitality industry, especially in large urban areas (Bucharest and provincial), franchisees of international hotel chain must adapt to modern trends in the tourism without losing brand image, marking the need for a balance between standardization and adaptation. Achieving such a balance is a challenge, given the geographical conditions and specific national culture. Therefore, to exit the patterns of a standard hotel chain, a new approach is necessary, by initiating new ways of attracting and loyalty of customers. Few of them are presented below:

- different decoration of the rooms and customizing restaurants, giving originality to the tourist services offer, based on the type and specificity of the internal market and even on the demand of each client, but keeping the brand identity;

- providing unlimited available business solutions, ranging from free internet access in room, wireless internet, copier or fax, even a secretary for copying services, sending mails, faxes, etc. Conference rooms may include video, screens, flipcharts, translate systems;

- providing a bonuses and loyalty system and flexibility in designing customizing offers;

- start partnerships with airlines, low cost, which will provide, at favourable prices, "city break" tourist packages, which has great successes all around the world.

A new orientation of a hotel franchiser is considering a new market with high potential, virtually untouched, respectively the "inn" (motels). Locations under consideration are highways, major national roads, entrances and exits of cities. For implementing such networks there is the need of reduced personnel and increased administrative centralization in order to serve several units. This orientation is based on increased domestic demand for 2** and 3*** accommodation.

Another long term challenge for hotels and tourists, is transforming Bucharest into a cultural and entertainment destination for foreign and Romanian tourists, since the expansion of franchised hotels in this area covered so far especially tourism business. According to an annual report published by Deloitte Touche Tohmatsu occupancy rate of hotels in Bucharest registered the biggest decrease in Europe in 2008, lowering with 19.6% to 57% in the context of the deterioration of consumer confidence, lack of funding and reducing business costs which affect hotel industry worldwide. (8) - (9)

In the context of economic decline, experts expect that, during the current period, tourism industry will focus its attention on survival strategies. At this point, it is important that both authorities and tourism industry to consider projects for development the tourism infrastructure, which will build long-term growth and sustainability.

6. CONCLUSIONS

As a business technique franchise has proven its success in almost all areas. Its key elements are: the franchiser know-how which proved reliability, and on whom underlies, by transferability, the franchise network expansion, and, on the other hand, the ongoing collaboration in all aspects between the two partners, leading to maintain brand image position on the market. This ensures the existence both of the franchiser and the franchisee on market. Each of the two partners will seek to capitalize efficiently the advantages offered by the other: franchiser will invest the financial resources received for the improvement of its business concept and franchisee will use brand and know-how for its own profit.

In the recent years, sectors of the travel and tourism industry have been experimenting with the concept of franchising. In order to establish the opportunities of franchising business concepts in hospitality industry, one of the major problems which had to be solved, was the establishment of clear brand identities, as the travel industry is very dynamic, with continuous round of changes in ownership and rebranding. Being sustained by managerial, legal, financial, human resources, brand and know-how became more and more powerful, proving their success on the market, so the next stage was nearly a formality: transferring business concept and starting the affiliation. Catering, restaurants, hotels, retail travel, transportation are only a few areas in which franchise is, nowadays, a common practice.

Paper describes the particularities of travel agent franchise and the hotel franchise. In case of the travel agents we appreciate that the affiliation to a franchise network is very profitable because of several specific reasons: a reduced cost of investment; using the website and on-line reservation system for accommodation, airline tickets, package tours; access to the best prices on the market for a wide range of tour packages; the possibility of adapting the offer to the customer demand. Regarding the hotel franchise, we appreciate that in today's competitive and global hotel market, being part of a group of hotels that share a recognized brand and provide high quality services

might mean the difference between financial success and failure. In order to overcome the effects of the economic crisis, franchise system has to be improved, in terms of diversity and adaptability to the customer demands.

To conclude, when franchise has proven successful, if there is financial capital, franchise in tourism is a good business opportunity and a guarantee of quality and operating a successful concept.

NOTES:

- (1) International Franchise Association, www.franchise.org
- (2) Franchise agreement definitions given by international associations: British Franchise Association, www.british-franchise.org; Association Française de Normalisation, NF Z20-000 „Franchising. Contract relations”, www.afnor.fr; European Franchise Federation www.eff-franchise.com; other studied definitions from literature
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