



Munich Personal RePEc Archive

Evaluation of a franchise business

Parpandel, Denisa Elena and Belu, Nicoleta and Albici,
Mihaela and Tenovici, Cristina and Rizea, Ionela Carmen

“Constantin Brancoveanu” University, Pitesti, Romania

26 October 2009

Online at <https://mpra.ub.uni-muenchen.de/18170/>
MPRA Paper No. 18170, posted 26 Oct 2009 19:14 UTC



Evaluation of a franchise business

Parpandel Denisa Elena, Faculty of Management Marketing in Economic Business, Rm. Valcea, "Constantin Brancoveanu" University, Pitesti, Romania

Belu Nicoleta, Faculty of Management Marketing in Economic Business, Rm. Valcea, "Constantin Brancoveanu" University, Pitesti, Romania

Albici Mihaela, Faculty of Management Marketing in Economic Business, Rm. Valcea, "Constantin Brancoveanu" University, Pitesti, Romania

Țenovici Cristina Otilia, Faculty of Management Marketing in Economic Business, Rm. Valcea, "Constantin Brancoveanu" University, Pitesti, Romania

Rizea Ionela Carmen, Faculty of Management Marketing in Economic Business, Rm. Valcea, "Constantin Brancoveanu" University, Pitesti, Romania

Abstract

The contents of this paper I will try to address all those interested in studying the system of franchising, both theoreticians and practitioners in this field to contribute to the progress of this system in our country.

Franchising is a reality in motion which will write more, being on time to find a theoretical foundation able to provide solutions for all aspects and economic instruments involved a commercial phenomenon.

Therefore, franchising can and should be successful adventure for both franchisees and franchise, for those who are guided by ethics and passion, vision and innovation, and for those who want to develop franchises or franchise network .

The aim is to highlight research opportunities to improve the system of franchising as a strategy for penetrating foreign markets in Romania and not only because the franchise is the fastest and safest way to becoming a business owner, and its success depends on what you do owner - franchisee, i.e. not repeat the mistakes inherent in any beginning business and risk losing everything at each "turning point" of the road. Typically, franchisees receive information and knowledge vital to business success in exchange for various fees they pay to those who purchased the business, that the franchisor.

The success of franchises is most dependent on one man: the franchisee, and to be successful is not enough that it will have the necessary knowledge to purchase a license and to build a franchise unit, to arrange and start businesses in within this unit. Franchisee must be dedicated to his work, it must have the desire and willingness to work hard and ability to remain motivated, ability to do business.

JEL classification: D40, D80, D81.

Keywords: franchising, evaluation, business, strategy

"Small business is the main catalyst of growth. These small businesses contribute largely to the achievement of fundamental objectives of any national economy-Peter Drucker."

Franchising a business means the territorial expansion of a business by selling the recipe for success. In general, any business can franchise, except the illicit nature or state monopoly. Usually, franchising is done from a pilot unit, which the operation has shown the viability of these recipes. Basically, the pilot unit, the franchisor has tested and perfected his idea of success, took time to find solutions to problems arising.

Thus, the operational manual and the transfer of know how he will provide franchisees an easy way and tested to run that business. [1]



Successful operation of the pilot unit is essential to prepare the package of franchise (franchise package). Experience gained from opening and operating the pilot unit is the foundation on which the structure elements franchise package.

It is considered that the success rate of franchises is 95%, but the causes that may lead to increasing or decreasing the percentage depends on factors such as the franchisor's ability to assist and support its franchisees, further communication between them, respect the franchisees of the rules established by the franchiser, timely payment of monetary obligations (duty fees, advertising, invoices to suppliers, etc.), due diligence in selecting franchisees (is that each franchisor to prepare a questionnaire for potential eligibility of Candidates for franchisee) etc..

On extending the franchise system, this could be achieved either by points or circular. Extending the points means that the franchisor cedes franchises in geographic areas, randomly and the circular is achieved through the sale of franchises mainly adjacent areas in which it is based franchisor (master franchisee). For example, if the franchisor is based in Bucharest, to extend the ring will be sold in areas such as Ilfov, Prahova, Dambovita, Arges, etc...

Expanding the franchise but also entails some risks. First, franchise partner are likely to use the experience and know-how obtained during the franchise to build a competing company. Some contracts stipulate to avoid this situation a non-competition clause. [2]

In terms of the franchisee, franchising disadvantages such as taxes and reduced opportunity to change during the performance of specific business franchise, franchise contract so inflexible. Also franchisee is not able to implement their ideas; only to the extent they are consistent with those of the franchisor.

Business success formula patented and tested by the franchisor, promoted by the franchise network, experience and know-how, are usually a guarantee of positive performance, they are sent to each member of a franchise network.

Succession franchisee in such type of business emerges as an opportunity for the sector the small and medium enterprises, especially in the current generated by economic and financial crisis.

Although a large percentage of franchise is a successful franchisee should be aware that there are risks, particularly emerging markets, as is that of Romania. In addition, to have these qualities, means to operate a business under one brand, under certain conditions imposed by the franchisor, under the auspices and rules imposed by the franchise contract. Finally, the franchise means a total commitment to franchisee: he must understand that it is not enough to satisfy the conditions dictated by the franchisor, but should "put the bone to work", i.e. not spare any effort to work in this system!

Franchising is a form of trade with the dynamic developments in the world, through which the experience and know-how network overlap with the spirit and desire to succeed the franchisee.

Decisions in Franchising is based on thorough information on the operator itself (franchised or Franchisee) and business in the territory. This information can be obtained both from traditional sources (press, radio, TV) and the specific business in the field. Regarding the latter, is, first, the material published in various magazines and those offered by franchising associations and chambers of commerce of different countries, as well as the direct bearers of information: franchisors and franchisees? Lately the Internet offers a number of websites about franchising system and takes it all over the world, including directly contacting franchisors and prospective franchisees.

The main areas which are subject to estimate franchise are:

I. The product or service

Examine, first, picture and novelty products on the market to determine if it was already accepted by consumers. Otherwise, the Franchisee's can receive an untested product on the market, i.e. the chance of success unclear, or one who is mature stage (decline) of its



life cycle and the negative prospects for the future. Very useful to be successful and analyze the product / service in other markets, particularly those with similar conditions.

This will allow evaluation Franchisee's chances of occupying a market share sufficient to achieve break-even and profit. Particular attention is paid to the prospects of profitability (over years 3-5-7-10). Demand seasonality study will complement the overall picture and enable the analysis of financial position and cash flows during periods of maximum and minimum demand. Consideration of issues of special or unique characteristics allow Franchisee's franchise to determine if it has indeed something that can not be achieved without help franchised in your own business. Same will be done and offer a comparative analysis of competitors.

II. Territory and location of premises

Exclusivity in a given territory is a more important franchise. And, since this territory is vast, the period of exclusivity - and more opportunities to its infringement by competitors - smaller, the franchise value will be higher.

Franchisees, but I can not guarantee the Franchisee's lack of competition in general. First, because that territory Franchisee can operate and other franchised offering products / services similar. Secondly, no one can guarantee the exclusion of cases addressing customers by Franchisee of the neighboring territories (especially those that are border territories). It is therefore in the interest of Franchisee's thorough study that will enable the territory. Simultaneously and should give appropriate attention franchised territory for the selection they offer great advantages as Franchisee's (in the number of potential customers, their purchasing capacity, specific cultural, national, religious, etc.).

The actual location of the premises is another important moment, given the fact that the central places of cities with significant flows of shoppers and cars (and parking for them) business unit recorded sales much higher. Thus, McDonald's Corporation selects the best possible places for the location of its units, on the understanding that higher costs will recover fully because of higher sales.

Ownership of buildings is another important factor. If the owner is Franchisee's, then he will become more independent in making decisions on further business, shifting to other areas, or the sale of the building (winning picture better because of the potential and local). In turn, franchisees, the owner has the option to terminate the contract without losing a good local. In case of renting space, the benefits are not as pronounced, however, who rents the owner (franchised or Franchisee's) has more levers of influence and maneuvers. [3]

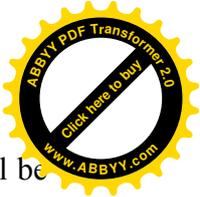
III. Franchise Package

This includes all relations between franchisees and Franchisee. Content specified in the Manual of Operations and franchising contracts.

Payments are an essential part of the franchise package. Establishing their strategies may differ in different franchised. Thus, higher initial franchising fees and royalties are quite dangerous low, with the risk "financial pyramids". Royalties can be an indicator of reduced commercial additives high in products or equipment supplied. Low initial fee also can sometimes obscure the commercial additions and high royalties. Some franchised establish a minimum royalty, to be paid regardless of sales made. In this case it would be necessary to its economic argument for Franchisee's no loss record. [4]

Payments for advertising distributed normally between franchisees and the Franchisee, the problem consists in proportion, to be determined. For it to be fair, it will examine such issues as: the subject of advertising (in general or franchise Franchisee's offer of territory) and the territory of the message broadcast (local, regional, national).

Another area, which is the question of 'who pays what' is that of training. Usually, the core areas of training are: methods of operation, financial control, service equipment, hiring staff, legislative aspects. In addition, be provided and a series of regular training courses, including those related to solving practical problems faced by the firm (management,



marketing, law, technical, etc.).. Analysis of these courses need (classic or "at work") will be the light of the report charges - result.

Evaluation franchisee

The analysis is aimed at selecting franchisees, franchisees work with who has a better chance of success:

I. The experience, reputation, and future plans

Good franchisees carefully select its Franchisee, completing a comprehensive questionnaire is one of the initial procedures of cooperation. In turn, the Franchisee's will prepare also a number of questions to make sure that the choice made successful.

It is important that franchisees in the past to be closed all the shortcomings of the business, so 2-3 years experience in the field is mandatory.

Staff franchisees in the financial-credit institutions are an important indicator of the quality of its business practices and an advantage in obtaining loans. The successes achieved in the past (profits, sales, etc...) Plans for the future you should also be quite moderate, as grandiose projects require modification of the system of administration, together with errors and issues any radical action (they necessarily affect Franchisee).

Documentation of franchisees on the basis of independent information sources will complement the general picture with a number of very valuable information. Study staff franchisees, including work experience of those who occupy key posts, working hours, the mode of employment (basic or total), organization and productivity, managers of sincerity in the number of cases of failure Marketing and corrections made, will allow Franchisee's to make the right decision in the case when there are so many alternatives.

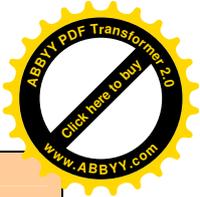
II. Financial situation

The purpose of financial analysis will be to determine the current status of franchisees, on the one hand, and evaluating the attractiveness of franchising opportunities on the other. 7 main areas of analysis and financial control are presented in the following table and calculation methods as were made in accordance with National Accounting Standards.

Indicators of financial assessment of franchised

Table no.1

Indicators	The method of calculation
Profitability	
Financial return	$\text{Net profit} / \text{capital used} \times 100\%$
Gross trading margin	$\text{Gross Profit} / \text{Sales} \times 100$
Operational marketing margin	$\text{Operating profit} / \text{Sales} \times 100$
Net trading margin	$\text{Net Profit} / \text{Sales} \times 100$
Solvency	
Gearing Report	$\text{Borrowed capital} / \text{capital employed} \times 100$
The ability to cover interest	$\text{Operating profit} / \text{Interest payable} \times 100$
Liquidity	
Absolute liquidity	$\text{Cash} / \text{Current liabilities}$
Term liquidity	$\text{Current assets} - \text{Inventories} / \text{Current liabilities}$
Total Liquidity	$\text{Current assets} / \text{Current liabilities}$
Control of claims	
Receivables collection period commercial	$\text{Commercial Claims} \times \text{days in period} / \text{Turnover}$
Stocks control	
The period of rotation of stocks	$\text{Stocks of goods and materials} \times \text{days in period} / \text{Turnover}$
Control liability	
The average lending	$\text{Short-term debt} \times \text{days in period} / \text{Turnover}$
Cash Flow Control	



Monthly forecasts and the actual situation / Weekly / daily

Source: Created by author based on information gathered during research

Franchisee's assessment will be guided to establish the area's potential Franchisee selected and include two main issues: (1) potential for development and (2) entrepreneurial characteristics. [5]

Development potential, includes analysis of current situation and prospects for future development of the following areas:

- Franchisee experience undertaking given market (production, marketing)
- Management experience of leading companies like
- Specialists needed and opportunities of employees with expected salary
- Capital needed for business and sources for obtaining it.

Entrepreneurial characteristics. Given the fact that the Franchisee is a compromise of your contractor and employee, the main features required from it are: the orientation towards sales, potential energy, persistence and diligence, determination and self-esteem, desire to comply with standardized procedures, low predisposition to risk.

Franchisee's general motto can be defined as: "Having your own business but do not be alone. Franchisee's compliance realizes its objectives strictly franchising system. The head company - Franchisee must be able to build relationships with people to communicate effectively with customers, representatives of the franchisees, suppliers and their staff. It must be an honest person and franchisees share the desire to constantly improve the system. Any new information on it must be quickly studied and tested in practice.

Taking into account that the coordination of business will require a long time (sometimes 15-16 hours a day) is very good for working to bring satisfaction and have no burden. This will happen when the business will bring not only revenue but will represent an inner aspiration manager, relate his moral values / social and goals in life. The simple desire to earn more money is insufficient for success. Joining a franchise business system can be a challenge for anyone who wants to open a business. The advantages of conducting business under existing and recognized names are obvious.

Franchising is a lifestyle, a way of doing business, provides opportunities for success that are apparently rare in other types of businesses, is a fast growing method of business. That does not mean that there is no need of analysis, work and continuous effort.

Before becoming a franchisee, it developed an action plan. This action plan will lead to understanding and start work.

Three steps to become a franchisee

Table no. 2

Steps forward	Description of steps
<p style="text-align: center;"><u>Step 1.</u></p>	<p>Franchisor can provide a significant amount of information. This will be accompanied by a simple checkout process and a program of business development and potential success.</p> <p>Most franchisors will offer the entire form of business or training to have all the capabilities needed to become a successful franchisee. Should be analyzed under the franchisor offer initial training and support what the business over there.</p> <p>Have studied marketing programs, accounting programs, financial programs,</p>



	<p>quality programs, services and training programs to be offered continuously. It will be better if it can investigate and analyze some franchisors before starting negotiations with a particular franchise.</p>
<p><u>Step 2.</u></p>	<p>It must be as much information about the franchisor why he chose franchising, which is his long-term commitment to the system, will act as a dictator, parent or partner? One of the basic questions to be answered is whether it is possible to have a partner on the franchisor?</p>
<p><u>Step 3.</u></p>	<p>It is also important to understand the steps necessary to start business. What services are provided by the franchisor to launch business and preparation before opening, the choice of location, construction, design and layout, training manager, employees, inventory selection, furniture, accounting systems, computing, marketing programs and advertising to open? It is also important for the franchisee to determine the period of time will change from signing a franchise contract to open the unit.</p> <p>Also, the potential franchisee should try to find out what current business developments are expected in the next three to five years or ten years. Will be developed new products or services to franchisees? How are products and / or services introduced or provided to franchisees? It is imperative that all franchisees to support new products and / or services? How should a franchise work?</p>

Source: Made by author by the IMO Group online courses, business consultancy franchise.

The franchise is one of the most powerful business relationships today. Many honors and respects its franchisors and franchisees in return, franchisees working very well and supports the franchise. Many franchise system provides franchisees assistance in determining the best methods to improve products and services within the system.

Whatever time is chosen to franchise before the final decision, assess the following three factors which success depends on the option of entering a franchise business:

1. The right people appreciate if you are interested to become a franchisee.
2. It establishes the type of franchise that they would fit.
3. Calculate the cost franchise.

1. Choosing the right person to become a franchisee?

It is necessary to start a self-assessment, i.e. assess whether a candidate is the right person to become a franchisee. To start a business as a franchisee is required to make an honest and comprehensive self-assessment. The role of such evaluations is to help them find the profile of a person to start the long journey in a relationship so special.



The qualities required of a franchisee can be summed up as follows:

- **A good franchisee should be able to run a business to be maintained throughout her identity is essential.** You can enter a business that can last 20 years. During this time, will be essentially the same. If it appears that the potential candidate is a person who always wants change, then the candidate will be best for the franchise channel.

- **Franchisee must be able to accept views different from their own.** The views of each franchisee in the operation are very important business to increase efficiency and quality franchise network. Moreover, a franchisee must be able to hear the views of the franchisor. And to accept them!

- **Franchisee must be an honest man and be able to play the game made by franchisor.** Franchisor must be sure that each franchisee will apply exactly the methods and procedures of the system he created. If the potential candidate is the kind of person who "knows better" how you did have to give up to become a franchisee. Also, if you prefer to innovate instead of running, it is preferable to open a business that is totally independent.

- **Franchisee must have confidence in the franchisor.** It is based on the premise that the business interests of the franchisor to go increasingly better. A higher turnover franchisee franchisor means higher fees. Therefore, you must have confidence in the solutions and support that the franchisor provides.

- **Franchisee must have communication skills.** First, there must be good communication with the franchisor. A franchisee in consultation with the franchisor will always be a successful businessman. Second, be a good communicator in relations with all other persons in contact with: employees, specialists, other franchisees, customers.

Even if the potential candidate has experience in business and in particular where first before such a decision, you should find one that is prepared or rather, according to franchise.

Successful franchisees have a strong vision and desire to be winners. Have both their vision and the opportunities that are found in a unit franchise. Their vision includes a self-evaluation but also assessment of current business opportunities. The vision includes a desire to build and willingness to work for success.

Regarding the choice of franchise that would fit the potential franchisee, it can choose from a wide variety of franchises, which were presented in the previous subsection, for that which identifies best.

Starting a business in the franchise involves serious financial costs, including costs of opening a franchise fee, operating costs. The potential franchisee must pay attention to its potential financial and analyze it in depth, because the cost of a franchise not only reduce network fee, but require payment of fees to the franchisor, and initiation costs associated with developing business (purchase location, planning future franchise units, Advertising, etc..).

The franchise requires an analysis, but control of costs. These can be grouped according to classical theory of costs, fixed costs and variable costs.

The category of fixed costs included the costs which are usually permanent and largely independent of the volume of outputs (turnover), variable costs are those expenses which, by their nature, changes in the volume and proportion to the number of economic achievements business obtained in the reference period.

Achieve optimum results in any economic activity, of whatever nature is made possible by lower costs in all spheres of activity, thus significantly increasing the role of modern theoretical concepts related to planning, cost calculation and monitoring as tools of modern management.

In their attempt to conduct business in a franchise, franchisees receive from the franchisor, the franchise package and manual on planning, calculation and control costs, independent legal and financial, but under full control of the franchisor, the terms stipulated in the franchise contract.



Characterized by modern and efficient franchise system is intended to be an excellent model on the world market on the use of practical methods for streamlining and reducing costs in all sectors. Worldwide, the most used methods and ways of planning, analysis, tracking and controlling costs relate to:

- Optimizing costs - is done through the existing human and material resources, thereby achieving the maximum expected profit;
- Promoting the principle of saving in costs - is projected results using a number of costs as low volume.

Like any economic activity, the franchise has a cost that it bears franchisee to franchisor cover so that its activity is profitable. The most important duty to be paid is the franchisor franchisee network fee or franchise fee. This fee is paid once and is intended to cover the sales department of the franchisor with the selection and franchisee recruitment and to provide support until the opening location. Also, there are settled and part of the costs of promoting location specific to the region where the range.

There are franchisors, especially those operating in the distribution, which charge no entry fee to the network. For example, the manufacturer donut "Yam", does not charge entrance fee on the network, considering this as an element of policy a new market penetration, but the franchise tax may also have modest value of 500 Euros, for example "Perfect Estate Agency or 2,000 Euros for" Creative Agency Multimedia & Advertisers", "Galleria ". In general, franchise fees vary depending on the scope of work, as the distribution that is between zero (if the franchise retail) and over 200,000 Euros for international brands that have notoriety and prestige on the market and can not allow certain discounts. In respect of the services, fee starts at 500 Euros (the service) and exceed 2.000.000euro if hotel chains.

Most of these charges, approximately 80% assumed levels between 5000 and 10,000 Euros. Also, the franchise fee varies depending on the type of franchise, or if a franchisee is Master Franchise (Sub-franchise-franchise involves two levels: sub-sub-franchisors and franchisees who have the same powers as the franchisors, respectively, franchisees themselves, the difference is that they focus their work on a specific geographical area, well defined and much smaller) or an Area Developer (franchisee receives from top right to open a certain number of units, which will lead single and has no right to sell licenses to others that they should be able to open units in the franchise, franchise tax is higher in this case). The most expensive franchises are: KFC (Food) - 300.000/1.000.000 euro, Pizza Hut (food) - 300.000/1.000.000 Euros, McDonald's (food) - 550.000/850.000 euro Sabin (Jewelry) - 547,000 Euros, Bally (clothing and accessories) - 500,000 Euros, Esprit (clothing and accessories) - 500,000 Euros, etc..

By contrast, under the cheapest franchises include: Rodipet (specialized trade) - 0 Euros, Trident Dental (medical service) - 500 Euro, American Hot Dog (Nutrition) - 800/4.750 euro Inmedio / Relay (specialized trade) - 5,000 / 10,000 Euros, etc..

Those wishing to purchase a franchise are selecting only the level and size of the network entry fee and ignore the existence of other costs such as fees and they vary between 0-5percent for distribution and for the services are between 5-20%. Of note, the fee (royalties) is an ongoing fee that a franchisee pays the franchisor, weekly, monthly or annually and the latter is for profit and also cover expenses related franchisor continuous and unconditional support given to franchisees and the related design new products and to streamline the system. In addition to these elements own franchise, in some cases those who choose this way of doing business and have to pay an advertising fee, which varies between 0-3% for distribution and services is between 0-6% .

Typically, the estimated costs and actual costs are recorded significant differences, so it is important in determining the financial needs not to underestimate the amount will be needed to get started.

Franchisee will need to know very well the financial potential available and always keep in mind the following steps: self-awareness, knowledge, evaluation, hope, work, success



and do not forget that franchising can and should be adventure success for both franchisees and franchise, for those who are guided by ethics and passion, vision and innovation, and for those who want to franchise or develop a franchise network.

The year 2009 will be extremely troubled at world level, according to a survey published by World Economic Forum (WEF) in April 2009, that launches a warning on a series of states promoting some short term investment policies, due to panic, disregarding their consequences.

The analysis shows an **eloquent picture**: *volatile markets, lack of cash, unemployment growth, all these against the lowest levels ever registered by indicators regarding the trust of consumers and enterprises.* This situation could cause a series of state to promote long term dangerous investment policies.

The massive expenses estimated by governments to help the financial institutions threaten the already precarious budgetary situation of some countries, such as the United States, the Great Britain, France, Italy, Spain and Austria.

“It is dangerous (...) not to rectify the problems from the bottom and to spread the seeds of some new problems whose impact will not be immediate but will be terribly felt later”, warns the survey.

The economic analysts fear **a more powerful slowdown than the one estimated in China’s case** (a 6% increase or even lower), a country facing an export decrease and strongly exposed to a depreciation of the dollar. A “painful landing” in China’s case could affect even more the world economic crisis.

Only a concerted “global action” could limit the damages, the current financial crisis showing a lack of coordination of the decision makers at world level.

The year 2009 offers the opportunity of a **consolidation of the world governing** and of the creation of the political will in order to restore the financial stability.

According to estimates, the increase of GDP in the European Union should diminish by approximately 1.8% in 2009 before slightly redressing in 2010 by 0.5%.

This is **the result of the impact of the financial crisis** intensified on the real economy, *i.e.* the crisis related world recession displayed by the considerable reduction of world trade exchanges and of manufacturing production and, in some countries, by the corrections from the real estate market. The consumption and the investments from the public sector will offer a way out. The attenuation of the inflationary pressures also contributed to the private consumption increase. The discretionary fiscal measures announced since August 2008 will limit the slowdown of the GDP increase by approximately $\frac{3}{4}$ percentage points this year. The amplitude of the economic recession is estimated to have a significant impact on the work force rate and on public finances.

The financial market stabilization measures, the lighter monetary policies and the economic redressing plans will allow the economy to stop deteriorating and to create conditions for a progressive prelaunch in the latter part of the year. The top priority is to really apply such measures: improve the credit flows at reasonable prices and rapidly implement the fiscal stimulation packages in order to encourage investments and private consumption. In order to enhance the degree of trust, it is also essential that the member states explicitly engage themselves to reverse the tendency of deteriorating the public finances as soon as a normal economic situation is reached again, such as to ensure the medium and long term viability of public finances.

According to intermediary estimates, the economic growth had decreased in 2008 by approximately 1% both in EU and in the Euro area, comparing to the threshold a little below 3% in 2007. In 2009, the real GDP would suddenly decrease by approximately 1.8% in EU and by 1.9% in the Euro area, and then would increase by approximately $\frac{1}{2}$ % in 2010.

According to estimates, the economic activity at world level considerably decreased during the last trimester of 2008. The downturns reflected by recent surveys, also concerning, among others, the numbers of orders, show that this situation could be maintained on short



term. **The economic recession is expected to expand a lot with negative consequences affecting more and more the emerging market economies.** For 2009, the world growth of GDP would slow down by reaching 0.5% (compared to 3.3% in 2008 and extraordinary 5% average for 2004-2007).

Starting with the latter half of 2009, the world growth would gradually accentuate, but in a moderate rhythm, along with the improvement of the financial market and with the occurrence of the effects of macroeconomic policy flexibility (especially in USA). Generally, the world GDP growth would reach approximately 2¾% in 2010.

During the third trimester of 2008, GDP decreases by 0.2% both in EU and in the Euro area which means that the Euro area met its first technical recession, as the GDP had decreased for two consecutive trimesters. Because of the continuous slowdown ascertained by the surveys made in different sectors and countries and of the considerable deterioration of other main indicators during the fourth trimester, the GDP is estimated to keep decreasing during the first semester of this year. The slowdown would grow in many countries due to the financial crisis, the world cycle and, in some member states, to the collapse of the real estate market. The decrease of both the private and the net external demand would significantly restrain the GDP growth which would only benefit from the public consumption and investments.

The **private investments especially, which played an important part** in the economic activity rehabilitation, are now facing a sudden slowdown as a result of a significant decrease of the ability usage rate, of the deterioration of the economic perspectives and of tightening of financing conditions.

In 2008, the situation on the work force market started to worsen in most of the member states. Reacting with a certain inequality to the evolutions of the GDP growth level, the increase of work force employment rate would be negative this year, the work force employment rate in the EU decreasing by 3½ million jobs. **Therefore, the unemployment rate would increase up to 8¾% in EU (and 9¾% in the Euro area) in 2009, and then would increase in 2010, too.**

The deterioration of the economic perspectives would have an impact on public finances which would also suffer due to reversing the tendency, at the level of additional incomes compared to previous years, of a growth structure based less on taxes, in general, as well as due to the effects of the major discretionary measures adopted or announced by the member states (representing approximately 1% of the EU's GDP for 2009 at the moment of concluding these estimates).

Therefore, the global deficit would increase this year in the EU by more than its double, reaching 4½% in 2009 (the ratio being approximately 1¾% compared to 4% in the Euro area).

The inflationary pressures attenuate rapidly. The sudden mark-up of basic products, which led the inflation to a record level during the summer of 2008, was stopped at the same time with the rapid degradation of the perspectives regarding the growth at EU and world level and with the deterioration of the work force markets. These elements constitute the necessary background for a readjustment made up of lower numbers in the estimates regarding inflation, compared to the autumn estimates. **The inflation of consumption prices would thus decrease from 3.7% in 2008 in the EU (3.3% in the Euro area) to 1.2% (1.0% in the Euro area) in 2009 and to less than 2% in 2010 in both areas.**

The current estimates are surrounded by great uncertainties, the world economy facing the most serious crisis since the Second World War. The risks threatening the growth perspectives are balanced. On the one hand, there is the impact of the financial crisis (including the real estate sector) and the amplitude of "the negative reaction loop" between the financial sector and the real sector of the economy. On the other hand, the growth could be more powerful than estimated if, for example, the fiscal packages re-establish the trust of investors and of consumers more rapidly than estimated. Also, the risks regarding the



perspectives on inflation seem to be balanced, according to the evolutions of basic products prices and to the deterioration of the economic perspectives at world level.

The emerging markets will be the first to register a recovery from the current world economic crisis, but only if they do not run out of capital and access to the outlet markets.

China, India, South-Eastern Asia and Eastern Europe constitute the regions which, according to most international companies, have the biggest growth opportunities, showed an Ernst & Young report at world level.

While most of the developed markets were perceived as stagnant and at low ebb, the companies still notice important opportunities on the emerging markets. China (59%), India (45%), South-Eastern Asia (26%) and Eastern Europe (31%) were the regions which, according to most international companies, would have the biggest growth opportunities.

The American companies tended to favour South-Eastern Asia compared to India, and the European companies tended the opposite, shows the Ernst & Young survey.

8% of the companies estimate a significant growth on the emerging markets in the near future, most of them (57%) foresee a continuous growth, but in a less alert rhythm than the one in the last two years, while 25% estimate a growth significant decrease.

Noticing the movement of the economic power from the developed economies towards the emerging ones, from west to east and from north to south, some of the Central-European and South-Eastern countries showed a growth potential and made their presence felt in the international business environment. Regardless of the sizes of the crisis, the companies will consider the opportunities offered by a greater exposure to these markets.

In times of financial crisis, few are businesses that operate and make a profit owners. If the textile industry is not likely to revive in the near future, construction amid sluggish growth both euro and a lack of orders, the only business that seems to go on income in this period is one that is based on a franchise.

Although 2009 is seen as one that will be bleak for business worldwide, disappointments investors in their real estate and stock market losses can be alleviated by investing in franchise like "Fornetti" or "donut Enraged".

Business under franchise will miss this year of "Typhoon" fianaciar International 2009 promises to be a difficult year, which will stand who will force financial and franchise will remain in the top with a turnover growth of 15-20 %.

Franchising can and should be successful adventure for both franchisees and franchise, for those who are led by ethics and passion, vision and innovation, and for those who want to develop franchises or franchise network.

Bibliography

Romanian Association of Franchise, <http://www.francizor.ro>.

Zahorsky D. (2009) Franchise opportunity of a lifetime?, Journal Small Business Information, 2009, <http://sbinformation.about.com/od/franchise/a/opportunity.htm>.

Business Consulting Institute (2008) Franchising: business and technical opportunities for entrepreneurs", Chisinau.

Patulea V.(2001), A comparative study regarding franchising, Journal Right, no.3.

Kalika M. (1999), La decision d'achat d'une franchise, Crepa Publishing House, Paris.