

**T.C.**  
**ISTANBUL AYDIN UNIVERSITY**  
**INSTITUTE OF SOCIAL SCIENCES**



**THE EFFECT OF ASSOCIATIONS ON MAKING THE DECISIONS TO  
FRANCHISE IN TURKEY**

**MASTER'S THESIS**

**Gökçe ARICI**

**Department of Business**  
**Business Administration Program**

**Thesis Advisor: Yrd. Doç. Dr. İlkay KARADUMAN**

**February, 2016**



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**(Y1212.130025)**

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## **THE TEXT OF THE OATH**

I Gokce Arici, a M.Sc student of IAU Institute of Graduate School of Business Management successfully defend the thesis entitled “The Effect of Associations on Making the Decisions to Franchise in Turkey”, which I prepared after fulfilling the requirements specified in the associated legislation, before the jury whose signatures are below. 18 March 2016

**Gökçe ARICI**

## **FOREWORD**

The time the entrepreneur decides to start his own business, in order to avoid lost time and energy the parent company of the well known brands with more customers franchise potential applications that makes the most favorite choice.

Not that the only way to be successful entrepreneur is through franchising alone but known brands and franchising promotes business without delays. This supports the fact that the highest level of quality and the role which franchisee entrepreneurs have made for franchising and the benefits and motivation that accrues to them. This study is to investigate the satisfaction of franchisee.

The satisfaction of the franchisee is to contribute significantly to the growth and development of the franchise chain together which is important to contribute more to the economic value and to the national economy and entrepreneurship. This research will support the franchiser and entrepreneurs who want to franchise their business and it is believed to contribute more to the academic research on franchising. In this study, theoretical information about franchising and the different variables indicating the level of franchisee satisfaction is the targeted benchmark.

To increase the satisfaction level of franchisee, the indicative development would be the more beneficial activities.

In preparing the thesis I got a great support my thesis advisor Asst. Assoc. Dr. Ilkay Karaduman and UFRAD Franchising Association President. I also owe my gratitude to Mustafa Aydin and UFRAD Members for all material and moral support during the period of my thesis. Also I would like to thank a sincere gratitude to my family and my close friends especially Fidelis A. for his tremendous support and assistance all through my thesis.

**February 2016**

**Gökçe ARICI**

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# THE EFFECT OF ASSOCIATIONS ON MAKING THE DECISIONS TO FRANCHISE IN TURKEY

## ABSTRACT

Franchising is one of the ways people choose to commence a business. Operating franchising, franchisor has a trademark and the franchisee sells products under the name of the franchiser's areas of advertising, training, management and the benefit as a whole package of extra discounts. To be successful at work without experience in training people and work for managing continuous assistance Franchising is the best approach because it is a form of giving a license from the elements.

Through franchising businesses operation on a national and international level, they provide significant advantages, working on a national scale, businesses are also proven in the market name and by obtaining the support and assurance of the brand has achieved a lot of benefits.

Franchisor and the franchisee will enter into a contractual agreement which will operate under the name of the franchise in exchange for a royalty payment. Today, people with entrepreneurial characteristics enter into cooperative arrangements such as franchising. The purpose of this study, starting from the definition of entrepreneurship in the literature review to explain the relationship between entrepreneurship and franchising, franchisee and the franchiser.

In the study, the UFRAD Franchise Association members explained what happens in the process of franchise and entrepreneurial relationship with the franchising company. A survey will be carried out on franchising companies, after the survey interview, results are discussed and presented.

**Key Words:** *Franchising System, Growth Strategy, Franchising, Franchisor, Franchisee Entrepreneur*

# TÜRKİYE'DE İŞLETMELERİN FRANCHISING SİSTEMİNE GİRİŞ KARARLARINA DERNEKLEŞMENİN ETKİSİ

## ÖZET

Franchising, işe başlamanın popüler yollarından birisidir. İşletme sistemi franchising, franchise verenin kendi ticari markası ve adı altında ürünlerini satması için franchise alanları reklam, eğitim programları, yönetim, toplu indirimlerden bütün bir paket olarak yararlandığı, önceden eğitimi olmayan bir kişinin işte başarılı olması ve işi idare etmesi için sürekli yardım ve gerekli tüm unsurları sağladığı bir lisans verme şeklidir.

Franchising yoluyla, uluslararası ölçekte faaliyet gösteren işletmeler önemli avantajlar sağladıkları gibi, ulusal ölçekte çalışan işletmeler de piyasada kendini ispatlamış isim ve markaların destek ve güvencesini alma suretiyle birtakım yararlar elde etmektedir. Franchise veren, diğer bir işletmeci (franchisee) ile sözleşmeli bir ilişkiye girer ve bir royalti ödemesi karşılığında franchise verenin adı altında faaliyet gösterir. Günümüzde girişimci özelliklerine sahip kişiler, franchise sistemleri gibi işbirliği düzenlemelerine girmektedirler. Fast food restoranları yaygın bir şekilde franchise olarak faaliyet göstermektedir. Bu çalışmanın amacı, literatürdeki girişimcilik tanımlarından yola çıkarak franchising ile girişimciliğin ilişkisini açıklamak, franchise alan ve franchise veren tarafların girişimci kabul edilip edilemeyeceklerini incelemektir. Çalışmada, franchising ve girişimcilik ilişkisinin ne olduğu açıklandıktan sonra Ankara'da, Armada alışveriş merkezinde yerleşik, gıda sektöründe faaliyet gösteren altı franchise alan işletmeci ile yapılan derinlemesine mülakat sonuçları sunulmuştur.

**Anahtar Kelimeler:** *Büyüme Stratejisi, Franchising Sistemi, Muhasebe Uygulaması*





## **1. INTRODUCTION**

In this study, the expanding application of entrepreneurship in franchising are discussed. The academic results of the studies about franchising practices, their brands and subsequently the extended growth of the company suggests that it is of great importance for the development of entrepreneurship. In the theoretical part of the study the concept and principles of franchising, the history of franchising in Turkey and the world and the development of franchising, types and definitions, underlying principles and elements of the franchising system, basic principles of franchising, franchising system, the franchisor and the franchisee in terms of benefits and drawbacks, risks and emerging issues of franchise applications, the factors that lead to success or failure in the application of franchising from a legal perspective franchising system in Turkey Franchising and contract incentives to prevent the effective functioning of Turkey's entry into the franchising system in the decision, the economic size of franchising, the franchisee is made according to the principle of voluntariness and face-to-face with the survey participants. Input to decisions on the effect of franchising system in Turkey with franchise businesses financial association of the survey were studied.

The aim of the research is to ascertain the satisfaction levels of franchisees of the franchise areas and the factors gender, brand, scale (national and international), education levels, age, place of work, position, and number of operating franchise that has to find differences accordingly to variables such as previous work experience.

At the same time, the benefits to the individuals intended to evaluate the findings and general franchise consulting fields. Due to time and cost constraints, only 15 surveys were included in the study, with 140 franchisee in the franchise business activity in Istanbul. During the implementation of the survey the survey is made according to the principle of voluntariness and face-to-face with participants. Survey data SPSS 22.0 analyzed by a statistical program, frequency, arithmetic mean, and comparative tables factor analyz were used.

### **1.1. Purpose of the Research**

To obtain general information regarding the applications of the franchising system which is developing rapidly by franchisees; to determine whether franchisees are aware of their identities; to determine the difficulties to buy a franchise; to determine how the contract terms are set; to determine how to choose a franchisee; to determine what kinds of help are provided by franchisors; to determine whether franchisees feel independent; to determine the expectations of the franchisees from the master franchisors before signing the contract and whether those expectations were met.

### **1.2. Significance and Purpose of the Research**

Franchising is a system, where businesses with a client base and well-established brands apply to expand their businesses without incurring a certain expense in domestic foreign countries. In terms of franchisees, franchising has gained its importance as an entrepreneurial system which provides franchisees without prior experience to operate their businesses in their local market and gives the benefit of doing business with a well-established products and services and enjoy brand-name recognition.

The purpose of the study is to evaluate whether both franchiser and franchisee have entrepreneurial characteristics.

Thus, this work is prepared with a different purpose than the work titled 'franchising system' where the applicability of the franchising system in Turkey, reasons to purchase a franchise, and setting contract terms were discussed.

### **1.3. Rationale of the Research**

In this research, information I obtained in creation, development and functioning of brands, who operate in franchising sector in Turkey, has added great value to the development of my career.

#### **1.4. Research Methodology**

Data collection method was used in the research. The data collected through survey were questionnaires and analyzed in SPSS program. Percentage distribution and building cross correlation techniques were used in the data analysis.

#### **1.5. Scope and Limitations of the Study**

The study endeavored to identify the applications of franchising system in Turkey. The survey group included the members of UFRAD Franchising Association, both franchisors and franchisees. Franchisors were interviewed by phone and those who accepted to participate in the survey were given the information of franchisees they work with.

A total of 150 franchisees' email addresses were obtained. The questionnaire which consists of 34 questions has been prepared after a literature review and taking into consideration of the previous researches. Survey questionnaire is included in Appendix 1.

The questionnaire was tested on 140 franchisees of 15 UFRAD Franchising Association members from different sectors. After necessary adjustments were made to the questionnaire, it was sent via email to 140 franchisees. The surveys sent indicated the aim of the research questions and indicated that the identity of the respondents would remain anonymous and the participants were encouraged to take the survey and the responses were evaluated.

#### **1.6. Structure of the Thesis**

To reach the goals of the study, structure of the thesis would be carried out across 4 chapters as defined below:

##### **Introduction**

This chapter introduces the key points that the research investigates which include research background, purpose of the dissertation, goal of the dissertation, research questionnaires, limitations, problem formulation, value of the research and rationale of the research.

## Literature Review

This chapter presents an evaluation of the related literature on brand positioning. Earlier work was elaborated on and it assisted in the formulation of the hypothesis.

## Methodology

This chapter discusses the research's methodological approach along which describes the techniques used in the data collection, analysis of the survey and justifications. It consists of several main areas such as: research strategy, research design, research philosophy, research process, data collection, data collection procedure, reliability and validity, criteria for assessing research quality: trustworthiness, sampling, overview and structure of the questionnaire.

## Findings and Analysis

The quantitative data for the findings and analysis were presented. 140 respondents findings from data analysis presented, self-structured online questionnaire collected on the 26th of October 2015 to the 15th of December 2015.

## Conclusion and Suggestion

Chapter Five would be on conclusion and suggestion, this chapter is the last chapter in the thesis which identifies the method the whole study was handle and the result findings. More, a summary and conclusion of the research will be presented. It concludes with some recommendations, implication on theory, policy and practice and suggestions for further research.

## **2. LITERATURE REVIEW**

### **2.1. Franchising Concept, Definition and Features:**

The economy with business globalization and the rise of action due to intensified competitive pressure companies give to business and management systems requires constant re-orientation of spending and reviews of marketing strategies. In this sense, this is the most suitable methods for the growth of the franchising business.

The word Franchising comes from French “Franche”. Franchising is the same word in Turkish. In order to give the literally sales, the right business brand and distribution, franchise is expressed as the exercise of the right business (Cambridge Dictionary, 2005)

The word franchise agreement is a continuum based on trade relations between the two sides. Franchising is a two-way merger (Cebeci, 2005). Franchising a product or business service to a party's management or organization to related information and support know-how to provide the party ideas of business affairs for a long-term nature of the business given Franchisor to carry out work for a period of time and within the restrictions and the whole continuous business relationship.

Usually the term for Turkish "businesses" franchise sought to be expressed in words, (Cebeci, 2005). Generally the company, one's own system, or the name that is well known and recognized by its products or services, contacts the necessary authorities then an agreement by the businesses or given marketing authorization, as long as it is depending on a specific employment contract brought forward by complying with standards to engage in a collaboration use and marketing activities in return for payment to understand as to be understood (Öztürk, 2006).

Franchising a brand that will appeal a wide audience in a healthy and rapid way, the concept itself is full of being able to create growth (Aksoylu, 2006).

The parent company in the form of a marketing or distribution system gives another company the right to use certain privileges and is not in a particular area within a given time frame.

To sum up economically, a distribution system is integrated in the organization which is a kind of franchise (Altunışık, Özdemir & Torlak 2001).

Franchising is a means of branding. A systematic way of creating your own brand either international brand or a brand franchise, training, technology and standards which are systematically spread in all forms (Aydemir, Demirci, a.g.e., s. 105.).

The theme of the franchise system do not crest its name in large letters on the company to be established, a company that works with many years of success lies a proven system and the name of a brand that is well-known is the theme the franchise company will write.

Franchising understanding of the structural features and corporate identity of management is moving elsewhere. In this regard the franchise wins important corporate identity.

The corporate identity management, the company's business strategy, philosophy of the company's key management provides a dynamic interaction between the company's organizational culture and organizational design (Cebeci, 2005).

The company differs from others of the interaction between these factors, it brings the results of the differentiation of the formation of a company's corporate brand and marketing metaphor. As it is known as the reality of the corporate identity of the company (Erdoğan, 2006).

Corporate identity that is different from other company's business is, related to the different characteristics that define what is an important tool in the business.

Therefore, the expression of "everyone recognized and known as the" is understood to be "being a well-known brand and an image formed" (Ulaş, 1999).

According to the franchise, the franchising of a well-known brand name, for a certain amount of an established given rules and the right to use the image frame by an independent investor is granted (Ulaş, 2006).

It is also a marketing strategy for the expansion of the corporate image by establishing cooperation networks with some skill and knowledge of the franchise business.

The advancement of the franchise as a marketing strategy, the company has a strong corporate identity, information, a perception created by the corporate image as well as the skills and knowledge; that is from perceived features become marketable.

The concessionaire side, this right is subject to a second party to carry out its promise to hand over a specific time requirement and business affairs with some restrictions (Yurdakul, 2004).

The most important aspect of franchising in the management and organization of work of the party is the franchisors knowledge that provides information and support.

Franchising, a company, an individual or company in exchange for royalty contributions or other charges determined in a period of time is within a specific geographical area and to grant the right to manage the affairs as recommended them.

Company franchise is talking about this law, taken as a franchise and rights are defined as those rights franchise. Work physical state is called franchise units which come into the body and by the franchise company-owned units or units with the franchise name referred to by name by the franchise. Both forms of the franchise economy is housed in a franchise system (Scoot, 2004).

The most effective, growth and profits are through the external angle on purpose in an increasingly competitive environment Gutmar companies. At this point, the important franchising companies in reaching their strategic growth objectives is one of the methods (Esener, 1997).

The show international franchising operations as they provide important advantages for enterprises is also on the market at a national level cause the enterprises and the well-proven record of getting the support and assurance of the brand name to obtain the benefits of a team .

When we look at franchising in general to be made regarding the definition, the basic elements are located in the franchise system; created to be for the continuous commercial relations by at least two company's systems, privilege of giving and receiving between the obligations and responsibilities of defining and legally binding instrument which to a contract and privilege that the privilege is that stronger than the field as well the privilege to receive the privilege of giving the name and under the conditions specified contract . It can be sorted in the form of continuation of activities .

## **2.2. Other Franchise Concepts:**

Franchise system consists of four components. A specific name that owned franchises or permits for the use of the brand franchise area. Ongoing control over the franchisee's contract process in which the franchise is available.

Contract along franchisor, a franchisee has certain benefits and services. The shape of this concession in exchange for payment of compensation to be paid in the form of royalty is tested periodically.

The Master franchising is franchising method. Master franchise system is only set up as a franchise in a particular region or country is responsible for licensing say the right business.

Master franchise agreement or legal persons agreement in the area of concept comes signed and the country can be realized themselves also entitled to franchise the sub franchise, so a third party can be held with the agreement.

A region or the entire country for the Master who bought the franchise company's business people and organizations concerned will be responsible for all operations in that area and the right to carry all legal obligations on the brand. Master franchisor companies usually do as a dissemination plan for this type of business rights. This expansion plan is limited to a certain period. It is connected to a contract with a financial investment.

The expansion plans at a certain time if you happen to cancel master franchisor master franchise agreement unilaterally. Any field ready for installation processes to operate as a franchise business model that appears more advantageous than re-establish the business in the area.



Positive synergies that established the company as part of the company licensors area can be created. Home franchise, which supports and promotes expected to be given can be grouped into six main categories (Erdogan, 2002).

These are general market analysis, procurement and logistics, training choosing the location (site selection), and approval, marketing and advertising, it is ranked as the operation. Overall market analysis in the main franchisor region and market potential in the country, competition, manufacturers, distribution channels, possible locations for must examine the positioning issues and solidarity of the brand, and they should help the franchisee.

Which was prepared by master franchise agreement that the comparison should consider their own experiences and expectations of entrepreneurs in the region (Aktan, 2006).

If a new Master Franchise Agreement made product sourcing, logistics, product cost, and on issues such as products to be imported it may be required to make preliminary research that the main franchise.

### **2.2.1. Franchisee & franchisor are:**

Franchisee; the direct or indirect financial consideration in exchange for the Franchisor's trade name / mark, know-how, business vision and technical methods, systems and brand specific sales-service points and / or of independent investors who applied taking to deal with the rights to.

Franchisee, at a certain time and for a certain fee franchise-issuing the trademarks and / or service marks of, knowledge (know-how), the operating system, rights to use the other industrial and intellectual property rights and is an independent company that takes responsibility.

Franchisee, Franchisor's trade name, directly or indirectly, a financial consideration and / or service mark, know-how and business vision and technical methods, business vision systems, and other industrial and / or intellectual property rights to use the intellectual property rights and the necessity, between the parties For this purpose will be made continuously in duration and scope of a written franchise agreement assumes the commercial and technical support.

Franchisor (the franchisor)

Franchisor; a product, service or knowledge of, the quality of their proven and successful brand / name has also, comes the right to sell their distribution or from the side which means a certain amount of money (Cebeci,a.g.e.s.5).

Franchisor, and the founder of the franchise system itself consists of individual franchisees and the long-term protection. Franchisor, as the system itself who might, just might be someone else have the authority to sell the franchise rights. Franchise-operated with the same system in their business or businesses that may or may not be. Franchisor, as required by the system of research, training, supervision, and so on. It undertakes to support such (Bilge, 2006.).

#### **2.2.1.1. Area franchisee (area franchisee):**

Franchisor, the market assigns certain obligations and rights of franchise areas in a specific geographical area. Area franchisee can open a business in some areas into sub-franchise system can only turn itself businesses in some systems.

Regional franchise areas, according to the requirements of the system, the selection of sub-franchisee like a franchisor, business site selection, training, supervision, supply of goods and so on. Avoid may undertake one or more of such functions.

#### **2.2.1.2. Sub franchisee (sub franchisee):**

Zone system by franchise area and with the agreement of the person or company the right to use the mark. In some systems, direct agreements made between areas with sub-franchisee of the franchise, the franchise agreement on some systems that are party itself.

#### **2.2.1.3. Master franchise (area masterfranchise):**

The rights to use the system in a particular country and abroad brand developed area is the person or institution. Sometimes they just are allowed to open businesses Masterfranchise area, often given the right under its franchise sales. On some systems that are connected to the franchisee Masterfranchise fields will directly connected to the center of some overseas.

### **2.2.2. Franchise system application steps:**

Franchise firm, primarily related to the franchisee parent company and personal financial information, including an information package consisting in the form of promotional file and this file is to prepare the company franchise offers.

In addition, the franchise firm; explained that the main company operations, including franchisees to comply with the mandatory rules and that gives the book documents how the franchisee to franchisee with all the information about the issues concerning the wanting.

Franchisee and franchisor company press interviews conducted in between the two firms agreed after analyzing personal and financial perspective as well from each other (Combs, 2004, Par-sa, 1999; Michael, 2000; Lee, 1999).

Operations in determining the feasibility study and identification operations are carried out taking into account the region. This required capital for the feasibility study, the payment conditions, the investment that indicated how much time paying off the back of the sulfur and said the feasibility study is presented to the franchisee company.

Franchisee firm, decided to examine the contract is signed after the feasibility study. Franchising contract, the franchise package comprises establishing a framework of rights and obligations, contract and must be in a very detailed way to cover every issue.

Franchise contracts will be subject to the law: intellectual property rights, industrial rights or the rights are intangible broadest sense. The varieties considered in intangible property rights; ideas and works of art, patent, trademark, trade unvan, businesses can be listed as the name and know-how.

Press the franchisee to pay together with the signing of Convention. Related payment plan is changed on the basis of each company. The franchisee made firm's unit starts after preparatory agreement. This unit is the decoration of the preparation of the magazine includes the training of franchisees and members. Some franchisor firms, undertaking the preparation unit prepares everything. After the preparations are finished, press on the franchisee. During the initial franchise is the franchisee is obliged to firms in technical support.

### **2.2.2.1. Business (outlet store ):**

It defines the physical environment of the retail business used to be done. (Suat, a.g.e., s.13.) Typically used in shop selling products or services, shops, restaurants, hotels, offices, warehouse-like structures.

Phone or taking orders over the Internet customer's premises sold or mail / internet, sending the product or service (eg. Cleaning, babysitting, web services, etc.) The house is concerned, a shared office, computer, internet, warehouse, etc. are the elements of the business.

### **2.2.2.2. Franchise fee (franchise fee):**

Most systems in use in exchange for the franchise system and brand value during the operation of the space is paid to that franchise. With Turkish counterparts' it has entry fee.

As usually monthly or sometimes weekly turnover amounts received may be a certain rate of profit, the other size, such services can also be taken by the business area or unit number. Limit can be put to use as a base value, it can also be a fixed monthly payment.

Royalty: the annual turnover and profit, as a percentage paid at rates specified in the agreement, that the rights of the trademark owner or the owner of a license means received as consideration for a transfer to someone else. This corresponds with the Turkish term 'license fee is.

### **2.2.2.3. Advertising fund (advertising fee ):**

For most systems, a fund established in a central public advertising spending and contributions collected from fee businesses. This value is usually defined in proportion to turnover.

## **2.3. Stirred Descriptions Franchising:**

### **2.3.1. Dealership:**

Dealership, the owner of the system and the right franchise brand specific period, in the conditions and limits allowing continuous discipline and support for the work of management and organization, in exchange for a certain fee, independent investors system and based on the uses of the brand is long-term and steady business relationship. Dealership, centered around the idea of a successful small business entrepreneurs, is to act like a big company

(<http://www.toplukonutfranchising.com/franchisebayi.htm>. 2007, <http://iek.erciyes.edu.tr/makaleler/isletme/franchising.htm> 2007.).

### **2.3.2. Agency:**

Commercial agent, commercial agent, salesman or without a specific title, such as janitors, based on a contract a specific region or place of mediating permanently in a commercial operation involving acts or them acquire professional to do it in the name of business one is the organization that this or that activity is.

### **2.3.3. What is the difference between the agency and franchising?**

Franchising and agency are quite distinct concepts. Resellers are not likely to franchisee. Because the door is hanging his name dealers and the dealer does not get the money, but rather profit is left to him. With a completely independent third-party dealers or wholesalers from the manufacturer sells to customers in other words, is the mediator between consumer goods it receives on its behalf (<http://www.toplukonutfranchising.com/franchisebayi.htm>, 2006).

Franchisee (the name right field) is a particular product or service brand under the roof of the purchase of the right to a name, the investor produces or markets in accordance with certain standards. Unlike the initial franchisee franchises to use the brand and / or pay a franchise fee over the contract period.

Franchisee participates financially in national advertising and promotional campaigns. Franchise businesses as a business image and decoration should be identical in terms of both management principles. (Tokat, Serbetçi, 2002).

The operation of the franchise agreement and franchising of the brand unlike using jurisdiction (only a space or a region) is located. Franchisor-franchisee relationship, A Comparison with the main company-vendor relationships are more fragile. In terms of dependence and independence criteria, although the franchisees desired in itself as an independent thinking (which is mostly the case) it is much more independent distributors compared with the dealer.

Dealer selection in the shop or office owned by the dealer, dealers, while important criteria such as financial strength, franchisee selection of party interests and personal characteristics of business experience to the fore.

The Agency, and the difference in the franchise system; TCC 116- According to the 134 substances "main company account does business on its behalf (<http://iek.erciyes.edu.tr/makaleler/isletme/franchising.htm>, 2007).

The main company can do on behalf of the parent company does not have branches in Turkey.

Moves in order to parent company on behalf of rights protection, sue, that the proceedings were opened, money not collected (need special permission), the contract can not (subject to special permit), informs the parent company on the market, except for his services may ask for money from the sale of the parent company.

"The form is defined. In addition, the Agency, and no brand name association, support remains limited to only goods and regions. Paid sales or revenue in question is not the cost, mainly consists of commercial brokerage and related follow-up treatment, so agents do not carry the franchise şartlanm none (<http://www.toplukonutfranchising.com/franchisebayi.htm>, 2006).

#### **2.3.4. Are Franchise Companies Ready?**

Franchises that are ready to give a firm answer to the question should investigate the market acceptance and have seen profitability of the business and the company that wants to receive the franchise must be approved. Franchisee must leave sufficient funds after making royalty payments for business dividends

In markets where competition is able to affect people who want to get large franchise potential, it makes sense that the franchise should be done in accordance with the design of products and services, distribution systems, work organization and marketing approach should be created by the company (Ünisan , 1998).

The franchisors make his business viable and should be understood. Many franchise companies take the franchise in a business area they do not know and they do not know to be successful with franchise. Franchising business should be capable of easily been understandable and repeated in a short period. A complex business models, or in the case of work done in an attractive case they want to franchise the company is reduced. The franchisor must have patent and trademark registration.

Franchisor and franchisee will be obliged to deal with the protection of ensuring control and should have a brand. The franchisor's are required to provide franchise services in different areas. The said services are carried out in the required development and modification work to be adapted to the operating setup of the new franchise to be opened. To begin franchise production, service or work the marketing promotion, advisory services, may be in the form of inner strength and support services staff (Akm, 1995).

Companies who want to franchise should take into account four main issues before making a franchise.

- 1- Standard franchise offer circulars
- 2- Operating manual by giving Franchise (working forms of marketing, including location selection and training issues
- 3- Franchise sales brochure
- 4- Franchise sales and marketing strategy.

## **2.4. The History of The Franchise System, Development and Widespread:**

### **2.4.1. History of Franchising:**

Franchising is historically considered medieval, although it is said that a franchise of the existing feudal system in France as a distribution and marketing methods have emerged in the franchise for the first time in late 19th century in the United States and commenced in Europe and spread rapidly in 1970 (Stanword).

In the 1970s in Europe the rapidly spreading modern franchising practices of the franchise system in our country started in the 1980s, the second half of the international fast-food giant began with the arrival of the companies like McDonalds, Kentucky, Pizza Hut, Wendy's, (Stanword).

Turkey entered the fast-food franchise that met with great interest, especially in the service sector that has become widespread very quickly. Outlet to the United States before the first Singer sewing machine company in 1863 Jonary engine Ragery drug companies have continued franchising applications in 1902 (Tanworth and Smith, 1995).

Then car manufacturers, beverage companies such as Coca-Cola, pepsicola developed with petrol station chains and operates a variety of retail stores and businesses spread to more than 60 different franchise today.

These include car rental, car service product sales, consulting franchising firms, footwear, construction decoration, computer, franchising practices concerning the retail sale of cosmetics companies, education, food, health care products and services, household appliances, dry cleaning, fast food, hospitality, such as catering There are applications in the franchise industry.

The main cause of boom in recent years in franchising agreement is a global crisis. The last two years demand has increased 40 percent in the sector (Castrogiovanni, & Justis, & Julian, 1993). Increasing demand for quality life, society and branding of the young population has increased demand for the franchise. Franchising a good and service lead to a good brand concept that came to the fore.



After this period, franchising has been identified as a different method of doing business. This method of using franchising in 1960, has enabled the development of creative new entrepreneurship. Franchising has become a different area of expertise related to business, people and professionals.

The impact of these developments, the first troops of the franchise sector in 1960, "International Franchising Association" (International Franchise Association ) was established (Alon & Mckee, 1999).

The system does not only grant economic benefits, but also in terms of social importance the system is preferred. Thus, large enterprises and small entrepreneurs have been able to provide the ability to connect to a mutually beneficial association (Tekin, 2004).

Therefore, protecting self-employed businessmen and franchising firms, as well as increasing growth. As a result of these developments, 35% of retail sales in the US in 1991 was carried out by franchise businesses. That year, the value of sales reached US \$ 757.8 billion.

#### **2.4.2. Growth in Franchising in The World and in Turkey:**

##### **2.4.2.1. Franchising System In The World:**

As a franchising concept, "in 1215 the first franchise agreement in England between king and barons in the world is shown and they made contract (<http://iek.erciyes.edu.tr/makaleler/isletme/franchising.htm>, 2006.). This type of contract is the first commercial performing use of the Singer sewing machine (Nas, 1992).

Although franchising system starts to install the first system in the year 1880 in the United States. This arrangement after the Second World War still continued to further developed in the United States and has continued through the development of Europe (Dicke, 1992).

Singer sewing machines company in 1863 Independently financed franchise which starts with setting up a distribution system that combines their businesses through franchising, then 1888 General Motors and 1902 Racalled the pharmaceutical sector which contributed to the system's development.

In the US they use one of the most comprehensive sources of capital towards the growth and development of franchise businesses are agreement. The number of franchising operating system increased by 317 751 between the years 1972-1986. Franchising has increased to 65 percent. In 1986, franchise has been amounted to an average income of 153 billion dollars (Brickley, Welsbach, 2007).

McDonalds franchise agreements made in numerous countries, has become active in 119 countries (Schlosser, 2002). Upon the death of his father, fried chicken and fresh vegetables prepared in order to provide for his mother's house to buy Harland Sanders founded Kentucky Fried Chicken has made its first franchise agreement in 1952. The company operates in 10,000 destinations in 78 countries in the efforts to penetrate the market since its first franchise agreement.

Today, businesses all over the world that are popular among the well-known enterprises in different sectors, have reached the global market instead of using all the advantages of franchising system. McDonald's, Burger King, Pizza Hut, Starbucks, Hilton, Shell, BP, Toys'r'us, Mothercare, leading companies such as Avis are typical of the franchise system.

Since the 1990s, the US market has become the most popular franchise growth strategy. As of 2005, 50% of sales in the US and in the UK 30% of sales take place in franchise chains. In the US market, 40 years ago this ratio was approximately 1%. Reaching 50% increase from the level of 1%, also reveals that the franchise system is functional for today's businesses.

The International Franchise Association (IFA) showed the results of research that examined 40 countries, the number of franchise businesses shows 20,000 and the franchisee number shows around 1.5 million (Rachman & Mescon & Bovee & Thill, 1990).

According to the same survey, the annual turnover is over \$2 trillion collected in the franchise system (International Franchise Association Educational Foundation, 1999).

This system is one of the leading parts of economic life in Western Europe and Australia. Canada, Japan, Mexico, Brazil, Argentina, South Africa, Turkey, United Arab Emirates, Malaysia, Poland and the process of the development in Hungary. China, India and other Asian countries are expected to develop in Russia.

Franchising is the birthplace of majority of the retail sales in the United States that are made today by entrepreneurs that have taken the franchise. 50% of the money spent by consumers in the US is going to businesses run by franchise system. But 40 years ago this ratio was around 10% (Stanword & Smith, 1995).

In Europe, about 25% of retail sales are made by the businesses operating and franchising system. Franchising practice in Turkey is to the fore in recent years with successful examples. With this system operated by the company turnover that approached \$1 billion in 2002. However, the endorsement with Czech Republic, Malaysia and the Philippines is lower than our domestic product which is only 0.6% (<http://www.ba.metu.edu.tr.pdf>., 2005).

Franchising application in the United States covers a wide area (Canan, 2002). While 35% of all retail sales in the country is in, 95% of the vehicles used in passenger transport is provided by franchising.

The number of enterprises which participated in the franchising system in the early 1990s, were around one million five hundred and forty thousand was determined that today too exceeded. 60 businesses working with this system in the first place Franchising system of creation and the United States are available. These include: automotive service products, business support services, business tools, clothing and footwear, construction decoration, computer, cosmetics, retail outlets, education, food, health products, household appliances, dry cleaning, fast food, such as hotel and restaurant There are sectors. Diversification is increasing, especially in the service sector.

Only one association has been established in every country of the franchise. By the end of 1995, each of the 36 countries are operating in a single franchise association.

These countries respectively; Germany, USA, Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Czech Republic, China, Denmark, Indonesia, Finland, France, South Africa, the Netherlands, Hong Kong, Ireland, Spain, Israel, Sweden, Italy, Japan, Canada, Hungary, Malaysia, Mexico, Norway, Poland, Portugal, Romania, Singapore, Slovakia, Greece.

The oldest international organizations about franchising IFA (International Franchise Association) was founded in the USA (International Franchise Association, 1999). There are 800 members of the franchisor outside the United States. The Associations in all countries is a sister association of IFA, including UFRAD status. The top provider of franchise associations in Europe is the EFF-European Franchise Federation.

Some of the services to be expected of the state undertook these associations, for examples the EFF, 'Honest Franchise Principles' application brought by certain standards and oblige their members to follow. Associations in the United States and Canada have brought similar principles for its members. Franchise Association is the place of knowledge and collection of statistics. Researchers and investors search the information they acquire from the association. Franchising associations also play a leading role in organizing the exhibition.

#### **2.4.2.2. Franchising system and development in the United States:**

Franchise in America in 1851, is also seen in various forms since. Isaac Singer's own invention of the sewing machines, independent vendor in exchange for a fee, has given permission to sell in certain areas. After General Motors' marketing techniques in 1898 was used, then other automobile and oil industries began in 1930. In 1920 Ben Franklin Franchised mainly in wholesale stores, retail sales and has developed the inauguration (Ünüsán, 1993).

The service sector in the economy, the beginning of a national chain Aitli Murray Dance Studios in 1938, in 1940 was seen as Baskin-Robbins ice cream store and the 1943 djrac1e carpet cleaning chains. Franchising in 1950 considering the value in the last decade has shown an improvement. The post-war economy and growing internal highway system, gas stations and restaurants, franchising partnership has developed.

The most important example of this period, created by Harlan Sanders opened the restaurant about 600 Create Kentucky Fried Chicken business. Harlan Sanders followed, while Dunkin Donuts and McDonald's has been. 1953 in the real estate office and has been seen in the hospitality field (Arthur, 1992).

In this period up to 1956, dry cleaning and employment agencies has become widespread in the tax field. In the 1980s it has been the driving force in the national economy. In the 1990s, America's in every town, on a great street, there is at least one franchise restaurant.

Those Franchisees opened in foreign countries have started to create a separate local system and have become more competitive with those in their own country (Saban)

Enterprises of America, England and Australia in 1960s have begun to be seen, especially with restaurants and fast-food food stores, 1987, Japan has also been widespread in American enterprises. Canada, because of the economy and the mirror of the United States on many issues such as law, franchising is very advanced there.

Sales in 1984 are total sales of the Canadian franchise chain economy by 45% in 1985 and between 50% annual growth in 1988-1992 is targeted franchise sales of 40%. Canadian franchisees of the country of their choice in the UK (Saban)

US urges progress of technology with industrial revolution, the development of mass production and mass transportation vehicles (Jovanovic, 1982). Manufacturers have realized they would rise to success in distributing its products to regional markets.

Franchising historical developments are examined in the three sectors. Automobiles, soft drinks and the oil industry. Franchising method of distribution in these three sectors are briefly explained. Automobile manufacturers have a nationwide distribution network which is much lesser than the amount of capital needed to develop regional distribution and due to the difficulty of centralized control enables businesses to have given the distribution rights. Thus, by providing necessary capital to regional distributors decrease costs.

Retailers in a particular region are protected from competition from other vendors selling the same model of product guaranteed to be more than the amount of the purchase price. The first franchisee in the automobile sector, 1898 William E. Metzger selling steam cars from General Motors Company, which needs capital to open their retail units, making the selling of manufactured cars and the first successful franchise system for the provision of after-sales service in 1898 which also established the independent person who gave the right to become a franchisee. Franchise distribution method is the second most important sector of soft drinks bottling industry uses.

The soft drinks industry worked extensively in 1899 to find the most appropriate distribution method of the final product. The parent company producing the beverages with a high percentage of water in the center, are not allowing the distribution companies from the main area of economic achievement allowing local bottling plant finding the license agreements.

Which is manufactured in the parent company and beverage is delivered to the bottling plant made within the regional contracts. Regional bottling plant, making the final product by diluting the concentrated syrup bottles it by size and make the trade. Thus, the parent company makes it less costly to Distribute to remote areas .Today, well-known soft drinks like Coca-Cola, Pepsi-Cola have realized distribution of products like 7-Up soft drink company with the franchise method. Franchise distribution method.

The third important sector is the oil industry. With the increase in car sales and distribution, it has raised an increased in demand for gasoline and oil products. 1930 oil crisis to the law as a result of the price competition from regional centers are from wrong oil companies.

Price competitiveness and profit as a result of the breaking of the independent oil office was reduced after investors and franchise contracts by regional offices rented a car by oil investors. Regional offices oil (franchisee), in determining the price according to the conditions, the oil companies have achieved rental income and strengthening their image again, increased their oil sales (Topçuoğlu, 2003).

### **2.4.2.3. Franchising system and development in Europe :**

France is the heart and soul of European franchising. 1971-Centre d'Etude et la commercialization de la Distribution (CECOD) has identified 34 franchise chain. In 1988 sales of 657 franchise-which is a rate of 51% of total retail sales. Franchising is not a new phenomenon in the UK. However, it has a bad reputation because of bad practices.

In 1977, the British Franchise Association (BFA) has started to disappear with the establishment of the judicial and in 1988 that the number of franchise has reached 270.

Master franchising (master franchising is one of the franchises that added to the forward case. In fact, 57% of the franchise based on current research, the master is related to franchising kind. In fact, the master franchise UE is a variant of the license agreement (Kaufman, 1995).

American franchise-which are widely used by service franchising is common in children's play centers and home carpet cleaning service.

Germany in 1960 incomprehensible said that only 12 are known to be about franchise-giving. In 1972, 60 in 1986, 186 in 1990 has reached 400. The area where the food industry is widespread.

Spain is up to join the European community, a stunning development is unprecedented. Franchise is common in the field of food and clothing. If we give a few examples of other countries, Japan in 1963, while only two franchise-that this number 1978 350 ate, 1988 is 700 to launch one. That the common areas, product distribution, food service and business-related services are (The Conference Board, 1971).

Australia 1960 has been operating the areas of franchise's application. In 1988's with a wide network of 500 franchise-which is often the starting. The common areas, the distribution of food and the service sector. Nowadays various countries, accounting / tax services, entertainment, cosmetics, health clubs, are franchise sales and service in various fields.

### **2.4.3. Franchising Systems Development and Applications in Turkey:**

Franchise form of business in the 21st century is marked by the retail world. Turkey has also been important in the development of franchising intercity passenger transportation in 1960 (U.S. House of Representatives, Committee on Small Business, 1992). Accordingly, the formation of a gas station and bus companies belonging to certain terms of ticket sales and the company has important limitations when given with other independent office. Again this year, depending on the production of refrigerators in Turkey it has created the groundwork for developing franchising system.

According to TÜSİAD- Turkish Industry & Business Association's report, Turkey has the 30th international entrepreneurship index (Talat, 2002).

According to the number of entrepreneurs who set up the company in every 100 adults prepared on the basis of the number of people with company index among 100 adults in Turkey is 4.6. This figure, for example, while in the US reaches 18.7 and 11.7 level in Mexico (ÇATI)

Especially in the 1970s and 1980s began the very first applications developed for franchise system dealership with the white goods sector, but the first application of fast food franchise has been in the food industry. In 1985, McDonald's and McDonald entered the market in Turkey in 1986, Kentucky Fried Chicken and others following him, following the modern franchising practices are continued today to close to 1500 both domestic and foreign companies.

Entry into the market of any country in international franchising practices is a similar system of the host country franchising business which will result in advantages. (Welch, 1996) Indeed, our country Turyap, Sagra, Hacıoğlu lahmacun, Madona, Blue Köftecisi, Bolulu Hasan Usta, awareness levels in markets such as Mudo high Turkish businesses have begun to spread to Turkey market using the franchise system (Karalar, 2005).



The effective use of resource and scarcity problems supply issues is both directly a competitive advantage in supply and competitiveness of the decisive franchising system which is also new proposal and creating a superior competitiveness for both parties. In this case both the recovery of the national economy will mean the strengthening of businesses which are the building blocks of economic life.

Alpha grafiks is the first franchise outside of prepared food applications which is coming to Turkey that took place in the electronic printing industry in Turkey. In skin care products, it has followed the franchise in the clothing sector in 2011 and we can see that made the sector in franchising applications, such as communications, fast food, cleaning, car rental, chocolate, office stationery products, cosmetics, automotive, education, cargo, construction markets, real estate leasing, are consider in the year 2012 in Turkey.

Today there are around 1500 domestic and foreign franchisors. Some of the franchisor company can be listed as follows: McDonald's, Pizza Hut, Nectar Beauty Shop, Alphagraphics, Civares to, Bada, vimpny, Naf Naf, Sagra Special, Migros Sütaş Altınyıldız, Beymen, Mode, Express Shipping, Mudurnu Fried Chicken, Nutro Clim, Lacoss with many companies such as Pastavilla has franchise in Turkey and the world.

Most franchising is that of the education sector in Turkey. This sector has over 500 franchise brands. Courses, schools, language and vocational courses are included in this group. However, this has reached a saturation point in the education sector in providing franchise. In such a case markets starts shrinking, being removed from the market who have failed or are continuing their existing franchise earning power combined with each other.

We can summarize franchising practices in Turkey say the figures: the first foreign franchise application was made in Turkey in 1986 with McDonald's. In 1991, the first domestic franchise offering, there were four foreign brands. Size reaching \$ 35 billion in 2010. The number of workers increased by 1.2 million in franchising sector. As of today trying to reach its 2012 sales target of \$ 70 billion industry. In 2011, the number reached 1471 franchisor. 24% of them are Turkish origin, 74% of foreign trademarks.

As of 2011, during the first of two brand franchise, which is situated two names in the furniture industry. Istikbal and Bellona. Independence first 810 stores, 710 stores in the second row refers to Bellona. Textiles to food, franchising to the education sector so that the first 100 operating service companies from around 7000 that the franchise has four operating branches in Turkey on one side.

Franchising is one of the most important indicator of adopting a business model that is becoming increasingly common in Turkey and the statistics of the European Franchise Federation. This is the first in Europe in the number of franchise brands that Turkey, according to statistics. Franchising in 2011 and is the first brand in Turkey with 1471 franchisors. Turkey with the brand in 1375 in France, followed by Germany with 960 brands (Mucuk, 2005).

There himself slowly close geography of Turkish domestic brands in the market proves that we see in Europe or opened (Karpat, 2000).

This transformation emerges particularly in the restaurant chain consisting of local delicacies.

January 24, 1980 decision in Turkey as a result of the removal of bureaucratic barriers, Turkey has become attractive to foreign investors. The number of foreign companies entering the market with the opening up of Turkish economy has increased rapidly.

Foreign companies, their brand names, company rights to use the method by local market conditions have started to give the franchise to Turkish investors.

Foreign companies, giving authority to franchise a company in Turkey or they continue their activity by establishing a company. Before those who want to start their own business dealers, taking a well-known company today began opening franchise agencies to have their own business.

Franchising is the most important criticism of the application in Turkey, not in their own country-renowned brands and international brands from Turkey thus arises as SMEs do not benefit from the system. However, U.S. and Europe, the system has been specifically developed to provide alternative employment opportunities for SMEs (Arslan, 2006).

Franchising is the right way of learning and development in Turkey, make free informing those who want counseling, the Turkish legal system to do the necessary work to find its place on the inside, providing work in harmony parties as an authorized place against the member found on faulty practices in franchising and franchising National Franchising Association in Istanbul in 1991 to spread in the country (UFRAD) was established.

Initially, within carried out the framework of legal regulations existing general rules on franchising in our country our country, of the European Union - performing the necessary harmonization of the scope of the customs union, on 13.12.1994 "Law on the Protection of Competition" and in accordance with the law issued by the Competition Authority in 1998, the Group relating to the Franchise Agreement Exemption Communication 'has already gained access to the practice facilities in a healthy way.

Franchising enables the transfer of technology from developed countries, raising the quality standards of products or services, create employment opportunities through opening up new business areas, enabling us to train people who are employed, is a delivery method that can be used in the development abroad of the Turkish firms (Ulaş, 1999).

#### **2.4.4. Franchising Types and Definitions:**

##### **2.4.4.1. Franchise in terms of international markets:**

Franchising is possible to examine the applications for the two groups.

Apply the system according to the country; National and International Franchising can be mentioned (Alon, 1997).

Master franchise agreement in terms of international franchising, joint ventures (JVs) and can be said of the license agreement.

Master franchising is the most comprehensive franchise agreement more than half of the international franchise agreements of this kind. This agreement in the field of franchise businesses usually have a say about the right to use the whole of a country or region and would even have the right to hire another company to actually deserve to stay himself (Demirci).

Another application of the franchise in terms of international markets in the form of a franchise type of joint venture. Some local businesses Franchising one or more partner prefer a joint venture to enter foreign markets. These types of capital strength of the local partner, by taking advantage of market knowledge, can easily deal with the government and bureaucracy. The type of the franchise license agreement, the local company to a product, service marks, patents or other technology and management know-how and the right to use their skills, given a fee (Tutar, 2005).

#### **2.4.4.2. Principle product and brand franchise system (product and tradename franchising):**

In terms of the opportunities offered; product and brand franchising, franchise business system as possible to make a classification (Ludden, 1999).

Retailers selling certain products, brands and services are working with a single operating system. As the manufacturer itself can provide the products, it may also be areas wholesalers of goods from several manufacturers.

Franchise is important but also the services provided during the sales area is mainly the work product sales. In this respect similar to the dealership but includes discipline and support. It is observed that the current franchise system quickly return to the franchise. Car dealers, gas stations, beverage manufacturers, furniture makers, garment manufacturers, are leading examples in this group.

Operating system franchise system (business format franchising ):

Certain service offering retailers, taught to others operating system, which constantly checks them, and are supported by the system receives a fee in return (Alacaklıoğlu, 1994: 10). Ensuring the supply of certain raw and finished materials used, even though that was planned to be the franchise, the operating system that stands out of the service is covered.

- Master franchise:

Parent company, entrepreneurs can be given directly to their franchises located outside the country, the franchise could also indirectly through a third party. In such a case, the master franchise comes up.

The main company that makes an entrepreneur with a master franchise agreement in their own country or a foreign country and gives entrepreneurs the right to franchise his own behalf in a particular region. The main companies contracted by the franchisee to the entrepreneur "Master Franchisee", in this particular application "Master Franchise" is called (Yüksel, 2004).

- Give master franchise:

The main target of the company as a franchise can give directly to individuals in a country, it can give the other party the authority to franchise in the country. This practice, called master franchise, franchisee, the franchisee receives will be responsible for the distribution of their country. Because it has the authority to give individuals their own sub-franchisee, you can set up a franchise chain. In a given area, which has the power to give the franchise its behalf is called the master franchisee entrepreneurs.

Other franchises will be established in the event that the initial direct costs such as franchise of the same parent company and has the right to receive royalty. While the master franchise parent company's ordinary shareholders gain derived by the franchisee also become partners in the parent company's responsibility. Each franchisee will be given within the zone specified training, which is responsible for logistics and support master franchise, as well as providing the necessary support, sub-franchisees are to check the compliance with the quality standards set by the parent company and obliged to keep under control. In addition, the master franchisee, the operating system has received from the parent company, instructions specify how to apply, has an obligation to transmit to other businesses that give franchise.

Master franchise to provide an international platform for the parent company, have reached a certain success in his own country must be proficient in the target market and ensure the sustainability of this success (Kotler, 1998).

In their market, firms that have established a successful business system related to a particular product or service, it is more convenient to deal with the subject to be opened to other countries. Sell a successful system, it is possible than the other option.

Successfully implementing the company's operating system franchise in its own country, standardized package of international to spread the field first, they select the market which are most similar to their market and product, price, placement order, make small adjustments in the marketing mix as promotion. (Ulaş).

As part of its growth strategy master franchise firms, thereby reducing the risks of investing in a new country can avoid legal and political problems may arise, or both (Özbalkan, 1999).

Not being able to allocate sufficient financial resources for a new breakthrough in successful companies can realize their growth objectives by reducing the financial burden. The master franchisee in the target market to be more informed and active contribution to this growth objective and also protects you from additional expenses as parent company to a new market research.

As well as the advantages that the master franchise for a number of disadvantages to give the franchise is concerned. Although the master franchise method to reduce expenses, reduce its income. A large part of the initial fee received for each franchise given master franchisee's own, while diverting a small portion of the main company; the parent company is reducing income earned over the franchise (Kavas, 2002).

In addition, the implementation of the principles set by the parent company of an international platform to follow and it is difficult to control than the national franchise Master franchisee application if the necessary checks and deteriorating the brand image can adversely affect the parent company can not provide.

Target quality standards in the country that do not follow the master franchisee, the parent company of the leaves in a negative position in the international market and many major companies from the master franchisee may be damaged by this situation. This house master franchisee will be given to businesses or individuals to be superior, keeping good position to follow the recognition and sub-franchises to enter the market is vital.

## **2.5. System, Properties, Fundamentals, and Objectives of Franchise :**

### **2.5.1. Underlying Principles and Elements of Franchise's System:**

Franchise (or franchising), is a system or owner of a brand, within certain terms and limits, By providing business management and ongoing discipline and support to the organization, with a certain price, the link between investors and independent system of usage-based brand is a long-term and steady business relationship (Dermut, 2002).

Major characteristics of the franchise system can be in the following ways;

- Franchising is a system based on: a franchisor (or franchise) integrated to contract under a particular brand of product or service offered by a business model. This is often based on its own builded again that the franchisee creates opportunities by distribution.

- During the implamentation of the franchising system the franchise receiver companies are given control over an are of the company and are able to authorise activities. The franchisor in the franchise areas of the system's operation process has control over the company, according to standards and methods defined by the name of the concession agreement stemming from the necessity to transmit.

- Franchising, is the establishment of the business for franchise firms, the preparation of organizational and management models, the implementation of marketing activities, training of staff and others will be evaluated in this context, operating on a feature activities with that obligation to be that the help and support for handling travelers (Yüksel, 2004).

The franchisor's assistance in a more micro-level evaluation is; The selection of outlets and the design of instrumentation and equipment purchasing and sale, the staff for the execution and management training, advertising and promotional assistance, in standard operating method of use, centralized purchase of goods and services can be handled in the financial aid form.

- The franchisee firm's presented to him operating the privilege of paying a certain initial franchise fee, royalty Panini a certain proportion of sales (royalty) fee and advertising spending contribution margin fee (optional) form requires the payment to the franchisor.

- Creating a new brand: Companies entering the franchising system, research, development, market research, consumers without government surveys, such as preferences, tested, and the agreement within the framework of a franchise agreement with the owner of the brand that captures the system with experience are able to find a possibility to start (<http://www.franchisedunyasi.com/index2>, Erişim: 2009).

#### **2.5.1.1. Underlying Principles of Franchising System:**

- Money Earning:

A franchise system must be able to firstly obtain a good income in each business. If the cake is not split in the middle, the franchise may not happen (Nucci, 1992). If the franchisee does not continue to work towards earning money, the company giving away the franchise may move along and earn it on their own.

Franchisor original business idea and model and put forth effort does not provide the benefits through gains extend a self does not teach the business, the brand does not use and do not execute system.

- Balanced Sharing:

Those who take and give away the franchisor should evenly share of added value created thanks to the brand. This balance should be achieved when their money, knowledge, and effort could take up their gains are proportional to the power of the state to share the extra profits.

#### **2.5.1.2. Franchising System of three main Elements:**

- System/Brand:

In order to be a successful business there primarily needs to be a successful, proven and tested system and brand that is recognized by consumers.. A business that has proven itself can attract entrepreneurs and be sold as a franchise.

If Entrepreneurs perceive successful businesses as being superior to theirs they may apply for a franchise if they believe they can manage profits effectively enough. High profitability is a factor of attraction for entrepreneurs because businesses that make much profit always find buyers. In addition, a smooth running system proves to the entrepreneur that can work more efficiently on its own.



Thus, individual entrepreneurs will have significantly reduced risk factors ([http://www.kobifinans.com.tr/danisma\\_merkezi/021201/9407,2006](http://www.kobifinans.com.tr/danisma_merkezi/021201/9407,2006)). In addition, a smooth running system proves to the entrepreneur that can work more efficiently on its own. Thus, individual entrepreneurs will have significantly reduced risk factors.

Those entrepreneurs who prefer to make their earnings over another brand will thus be able to have a brand name and franchise without much effort. A brand that has been tested and approved and is well known are the basic requirements the establishment of the franchise. Entrepreneurs examine and analyze these factors when deciding whether or not to buy a franchise.

- Discipline/Support:

Franchise agreements, oblige parties to conduct their activities within determined limits and to fulfill certain responsibilities. The long duration of the Agreement, requires the parties to adhere to the provisions of the agreement at all times.

A number of conditions must be fulfilled with integrity in order to be able to fully and successfully implement a successful business (Ashman, 1988). Bu Therefore, franchise agreements are based on discipline and draw certain and clear boundaries that will not allow any changes to the system of implementation. The brand that is franchised must perceived the same by consumers all over the world must have a standard format in all places in which it is doing business in. As it is crucial that consumer receive the same service and quality of products at all points of franchise, a high level of discipline should be a primary prerequisite.

The franchisor is obliged to provide the knowledge required to manage the system to ensure that entrepreneurs set up their own business and to provide support for the training of employees and other investors to supply necessary materials for them to operate the franchise. Once all of these elements are provided the franchisor reserves the right to continuously audit the business.

**Price:**

In order to be able to name the work performed a "franchise", the franchise receiver must pay a fee to the franchise provider. Shortly before or after the conclusion of the contract a generally one-time charge is taken. Additional charges are taken for continuous services.

In special cases, which in practice are very rare, franchise providers demand that the company cancel the franchise fee. This requires the provision of an indirect fee, which is included in the product calculation.

If a franchise agreement or a one-time entrance fee agreed upon after concluding it can be incorporated into the following services:

- Know-how- Transfer/ Transmission
- Joining of franchisor's system to make benefit from the competitive advantage
- The services are performed by companies that providing equipment for franchise
- Joining a franchise firms, usually with high costs for system planning and configuring
- Area protection
- Preparation of manuals
- Preparation of goods for assembly

Continuing franchise fees are taken periodically, in principle a monthly payment is carried out. Continuing franchise fees are taken in various ways by the franchisor: Either it is taken by net and gross sales as a percentage or amount determined by the month. When contributed to sales figures an amount of approximately 2-3 percent over net revenue or up to 4-5 is requested. However, the costs of franchisor is namely to ensure the continuation of the consultation, development and know-how transfer, it is paid as part of continuous services.

Continuous charge covers the following services:

- Continuous consulting and training services
- Comparison of success and business accounts
- Market analyses

- Standard advertising activities
- The development of know-how
- Drafting of handbooks

### **2.5.1.3. The Fundamental Principles of Franchising:**

#### **- Honesty Policy:**

- Franchisor, the franchise system is a router.
- Franchisor, a commercial project at least before installing the franchise network should be applied in a reasonable time, since a successful pilot project.
- Franchisor, the franchise system to have issues with it, or they must be given the right to license others to use the system to others.
- Franchisor, as well as educational services to each franchisee must provide the necessary commercial and technical assistance consistently throughout the contract.
- Franchise areas of the image of the required performance and system for the development and growth of their business and to show the effort necessary to protect the brand
- Franchise areas, franchiser or show the necessary documents for inspection and to his people and organizations must be appointed to allow for inspection.

#### **- Directional Principles:**

- a.** The franchisor is the founder of the franchise network, comprising of Individual Franchisees and is also responsible of its long-term protection (CEBECİ)
- b.** The Liabilities of the Franchisor; The Franchisor must fulfill the following conditions:
- c.** Before turning a business system into a franchise chain system, he/she must have run a successful business for a reasonable period.
- d.** He must be the owner of the name, brand and other distinctive features or should have the legal right to use them.

- e. Initial education and continuing commercial and technical support must be provided to the individual franchisee during the period stated in the agreement.

#### **2.5.1.4. The Reasons Behind the Rapid Developments and Fast Growth in the Franchising System:**

- The worldwide loss of the importance of the manufacturing sector and the increasing significance of the service sector making franchising a popular market entry method (Tübitak, 1996)
- The properties of small businesses which have a certain amount of capital but lack work experience which are attractive to individual entrepreneurs has contributed to the fast growth of franchising.
- The gradual shift towards global unity has had positive effects on the development of franchising.
- The day by day growth of the service sector in the West and the development of service sector dominated countries has allowed the wide use of franchising in the service sector. Our country has also witnessed the growing utilization of franchising with the developments taking place in the service sector.
- As franchising is able to be applied to a diverse range of business fields, it allows for new business areas to be created contributing in the economy while also creating new opportunities for employment.
- The changes occurring in the lifestyle of the individual has also had a positive impact in the development of franchising.
- In our present day, the number of people who wish to break free from the bureaucratic barriers set by the big firms by setting up their own businesses is rising at a great pace. Starting off a new business with franchising is an easier and cheaper method for a modest investor who lacks the necessary skills and confidence for establishing a new business. Franchising allows small investors who are unable to receive loans to establish small businesses with a reduced cost.

The party that gives the right to use its own name and brand (the franchisor), who has proved his success as by gaining experience in the domestic market and becoming a franchise package and solve problems pertaining to the method of help are ready to expand into overseas markets with their vast knowledge.

Nowadays the franchising system, is rapidly spreading and developing with new work fields with the opportunities it provides to not only the franchisor and the franchisee but also to the government.

Indeed, while the system allows the franchisor to advertise without any costs the franchisee is able to be owner of a small business and provides the chance to posses the oportunites that the larger firms have.

Consumers are able to obtain high qualit products and services at reasonable prices while the government is able to prevent the waste of resources on unsuccessful businesses and is also able to encourage sectors which they want to develop.

## **2.6. The Strenghts, Weaknesses and Risks of Francising Towards the Franchis or, the Franchisee and The Consumer:**

### **2.6.1. Benefits and Disadvantages of Franchising System in the terms of franchisor:**

The people who gain too many people in the franchise system and has a chance to benefit. Both sides equally affects and improves the reduction of investment in terms of people that this system, fast cash inflows, steady income, quickly spread over the effective management of reach profit from the market, increased advertising strength, increasing brand recognition, greater purchasing power, better places There, negotiated businesses, effective distribution, fast collection, the information market benefits including the ability to stream and control would be concerned.

However, whereas some of the risks faced in (Çağlar) the transmitter below the franchise's possible benefits and drawbacks terms will be discussed.

## **2.6.2. The benefits of franchising system in terms of Franchise Giver:**

Franchise systems, undoubtedly became so widely spread because it is a useful practice for both the franchise taker and the franchise provider (ITO, 1998, Ulas, 1999).

The franchisor already owns a successful, profitable and accepted brand and business. If the owners wishes they can expand this brand by opening branches, or they can force all customers to come to them. They are free to evaluate which strategy will be more advantageous and decide on a course of action.

For choosing the franchising system, the expectations from the system and its advantages can be listed as follows.

### **2.6.2.1. Reduced investment:**

In the process of that the company opening up its own branches, the franchise system is deserted all together. The only investment made is to create a foundation to engage in a franchise. Most time the financial state and human resources of the business are insufficient to open up a large number of branches so franchising is the only alternative measure for growth.

### **2.6.2.2. Quick cash input:**

In the event that Branches are established, the profits that would be gained in the long run will be realized in the short run with franchise entry fees. If the owners of a brand that sells the services gives businesses a single action franchise, the price entry to the franchise will usually appear significantly attractive. It is almost impossible to make a profit of the same amount as a single company.

### **2.6.2.3. Recurring revenues:**

In case a franchise is provided, the franchise usage fee payments constitute a permanent and regular source of income for that franchise.

#### **2.6.2.4. Rapid deployment:**

For many businesses rapid growth is vital. You have to be present in the market to advertise for purchasing power to increase. A certain capacity must be reached in order to be able to commence your own production and so on. In such cases, opening up a certain number of businesses in the short term might be more efficient while a less amount of businesses might be harmful for the business. By giving away franchises the management and investment tasks will be spread and growth speed will drastically increase. Branches require a large number of staff to a large amount of investment and time to spread (Jenson, & Meckling, 1976).

#### **2.6.2.5. Displaced Effective management:**

In the event that branches are opened, professional staff and management will take control of the company's management causing a decrease in productivity. As the investors and managers are the same person in the franchise system, all of his strength, intellect and knowledge will be directed into the business. Operating efficiently will increase, customers will be satisfied, the image of the brand will be strengthened.

The problem is not in the nature of professional managers, but it is their motivation. It has been frequently seen that branches have begun to make profits in the same location with the same staff after receiving franchises. It has also been seen that professional managers are more successful if their businesses have received franchises.

#### **2.6.2.6. Profits gained from out of reach markets:**

A brand owner who has one or more businesses may never be able to enter certain markets by opening new branches in far away regions, areas where advertising may not reach and closed groups of people may be such examples. If there is a need in this market for such products or services there will be copycats waiting to enter it. Importantly, a franchise prevents imitation and certainly provides and ensures additional revenues.

#### **2.6.2.7. The Increasing Power of Advertising:**

Reasonable amounts of advertising funds collected from sales of the franchise chain allows for advertising at a strength that would never be possible with the limited turnover of a single business. A single business will have wasted most of its money if it engaged in widespread advertising as it would be unable to provide products or services at numerous locations.

#### **2.6.2.8. Increased brand Recognition:**

When consumers see the same brand at several shops they are affected positively, they respect the brand and attach a significant value to the product (Kavas, 2004).

Brand image is strengthened by chain businesses. For example, any brand which has opened a number of branches in Istanbul draws attention and is recognized by the masses in a short amount of time.

This feature is not unique to the franchise system. Dealers and branch chains are able to immediately reflect this power in the market.

#### **2.6.2.9. Increased purchasing power:**

In parallel with the rapid spread of branches, turnover and acquisitions will also increase. Purchasing activity in bargaining can only be achieved with the amount. Chain stores are able to immediately reflect this power that they have in their bargaining.

The rapid increase in the amount of Supermarkets that has occurred in our country in recent years has demonstrated how this bargaining power can be used (Tüsiad, 1987). Parallel to the spread of supermarket chains the discount requests of procurers, credits and other additional costs are rising every year. When consumption is below a certain amount, even printed material become a problem. As preparation costs are too much to keep, companies are forced to either buy less at an increased rate or buy a lot and stock the product for a long time. When purchases are made over a certain amount, the manufacturers only work for the franchisor thus preventing competing technologies to be developed for rivals.



#### **2.6.2.10. Best places availability:**

Every confident and ambitious business would like to be situated in the best place to gain the most profit. For example Etiler, Baghdad Avenue, Nişantaşı, Akmerkez, Eyup in İstanbul, Gaziosmanpaşa in Ankara, Kordon in Izmir and the likes. Such locations are full and usually very expensive. Such places may often host businesses which can not even pay the rent of their shops (Webster, 1986). When asked to take over one of them, an extremely high amount of money is demanded. The person's investment or her franchise brand owner can save you money when considered in conjunction with the overpriced fee payed.

A profitable company, which has an established franchising system may provide an opportunity for a business which profits less. Similarly the owner who wants to operate the property on rent may become inclined to take the franchise. By doing so it is possible to be placed in an important locations which you would not be able to without spending a lot of money

In such cases, even if the location is good, a franchise should not be given to someone who is unable to maintain it. Indeed a concession given to a manager who knows how the business works with partners to find place.

#### **2.6.2.11. Negotiated businesses:**

While providing rights for a certain amount of time to franchise receivers the franchisor is able in a sense take under guarantee his own future. The problems that franchise receivers will face in the future is future competitors, market shrinkage, loss of business, the decreasing profiability of the system, etc. Negative developments like these will not affect the franchise provider.

Long-term franchise agreements made with concrete, reliable, and tightly tied selling points are earned (Rubin, 1978). On the other hand, it maintains franchise agreements usually much more. If there is trouble or damage, the franchise system can easily be liquidated on the basis of agreement.

#### **2.6.2.12. Efficient distribution:**

In franchise systems materials and equipment are limited, the delivery address are clear and the required amounts are stable. In this case, considering the regular distribution system which will be established, an independent company will certainly function much more efficiently in procuring each individual material. Therefore, an efficiency stemming from distribution is a significant advantage in terms of the franchisor.

#### **2.6.2.13. Quick recovery:**

Franchise providers who are manufacturer or wholesalers usually complain about the delay in the collection of sales and the lack of risk. When the franchise chain is established, the amount of each company's sales and collections are to be followed, the collection will not exceed the prescribed period or question. Most manufacturers therefore seeks only to establish a franchise chain instead of selling goods in the wholesale market.

#### **2.6.2.14. The flow of information from market:**

When the franchise system is established the retailers who are in contact with consumers are followed closely. Complaint boxes are made available, the customer complaints line at the headquarters, surveys carried out, audits conducted in company and so on. The consumer can thus be monitored easily.

Therefore, the differentiation of customer demand for products and services, can be conducted in a limited number of businesses. For a similar study or survey to be taken by independent retailers on the wholesale it will be costly, time-consuming, inefficient, and perhaps may even be impossible.

#### **2.6.2.15. Checking ability:**

The franchisor has control power over sales points. It must have the power to investigate even the smallest accounts.

### **2.6.3. Franchising Franchisor's risk terms in Franchising System:**

#### **2.6.3.1. Employment Teaching:**

First of all the franchise provider reveals the secrets of the business to the franchisee to lead him to a successful business. Although the franchise agreement in areas connected with the area where competition agents are located shows risk are still present.

At the end of the franchise agreement the franchisee can continue in the same business area (Lafontaine, & Bhattacharyya, 1995).

- The franchisee can establish a similar business before the end of the franchise agreement.
- The franchisee can end the agreement and pursue his own business
- A rival that receives a franchise enter the chain franchise
- Trained staff may leave the company to carry out similar work
- Trained employees can move to rival firms
- If there are weaknesses in the legal aspects of the work, problems will be reported as soon as it happens.

#### **2.6.3.2. Malevolence:**

If the franchisee is malicious, agreements or guarantees may not be useful. The franchisee may continue to use the brand name without permission, he may push to get worse by operating cycle, while the commercial relationship can be using water, can escape the advance or picking up goods with the brand's reputation. To cancel the agreement for such, the franchisor is not a desirable solution. In some cases there may not be a way out.

#### **2.6.3.3. Loss of business reputation due to closure:**

As a last resort the franchisor may cancel the agreement. Such an initiative, if the franchisee-owned or rented the building, it means that the signs showing the franchisors brand or company name will go down.

This situation which causes a loss of credibility in the eyes of the customer is extremely undesirable for the franchise. The franchisor should take business cycles into conflict if possible, one should not open another business that is close to the same neighborhood, it should prevent the continuation of similar work in the same workplace.

#### **2.6.3.4. The loss of opportunity (loss of profits):**

With each franchise the franchisor loses a part of the potential customers they would have. Perhaps one of the people who will be its business customers a day, now tend to business franchise.

#### **2.6.3.5. Regional allocation:**

Franchisor sells a portion of the total market in each franchise. Because of the limited amount of areas that may be sold, in order to maximize profit, it must be sold at the most favorable terms. Each region sold should be given to the people who will provide the most return.

#### **2.6.3.6. Increased overheads:**

When the franchise is given away the overall expenses will be forced to increase. An increased amount of money will have to be spent for infrastructure, training, supervision and so on.

#### **2.6.3.7. Risk of the brand:**

When the franchisor shares his system of a brand that has an accumulation over the years, he places the brand in a sort of risk. The mistakes of the Franchise takers or the unhealthy system of the franchisor they provide the same quality of production due to the healthy theory performed, immediately undermines consumer brand in the eyes of different positions.

#### **2.6.3.8. Collection risk:**

Although the collection of a franchise entry fee has been agreed upon. In order to receive a franchise agreement with the user fee, even if the application is experiencing a rare collection problems.

In particular, the strength of the franchise that can cause difficulty in paying utility franchise areas is in the state of decline, and even does not pay at all. In cases where the franchise that weakened the power to impose sanctions for the closure of the company not carrying the brand.

#### **2.6.4. The Benefits, Drawbacks and Risks that Franchising System Holds for the Franchise Receivers:**

##### **2.6.4.1. Franchising System franchisee in terms of benefits:**

- It is possible to utilize the management techniques and procedures of a well known brand that has been tested, and has proven to be very successful.
- With the brand a national or international standard is possessed.
- The opportunity of doing business with continuously provided customers of well known brands.
- It enables the franchisee and franchisor training services and professional staff support.
- Finding quality staff, who take advantage of franchise businesses in the recruitment and training of technical issues.
- With support provided in terms of financial, commercial and personnel issues, the chance for success is enhanced.
- By taking joint action with the franchisor the risks and management issues confronted by small businesses are minimized.
- The franchise receiver is able to make use of the franchisors financial and legal advisors.
- The franchise receiver is able to benefit from the franchisors continuous research and development efforts.
- The use of scientific techniques in the selection of the place of establishment of the Businesses and organizations is possible.
- It is possible in the establishment phase to receive financial support by making use of resources such as leasing and so on.

- It is possible to make a saving advertising and promotion expenses.
- Franchising, eliminates the entrepreneur's loneliness, and reduces the risks associated with starting their own individual business.
- The payments made to the franchisor at the initial stage although higher than the upfront inflows of new business, is less than the total height of hatalann price.
- The standard for business management, accounting, sales and storage function is possible.

#### **2.6.4.2. Drawbacks of the Franchising System for the Franchisee :**

Creativity is diminished.

- There are rules and limits placed by the franchisor which need to be adhered to.
- When there is not enough research conducted during the contracting stage, a significant portion of the profits goes to the franchisee.
- The subject of the convention on the widespread use of the product may increase the entrance fee.
- According to the agreement the procurement of certain products may possibly be cheaper than the market.
- Gaps in the agreements make it possible for the system to work in favor of the franchise contract.
- Franchisor franchisee distrust of business rights and of the possibility provided by the agreement leads to be limited. In this case, friction arises between the parties.

### **2.7. Risks and Emerging Issues in Franchising Application:**

#### **2.7.1. The Risks of the Franchising System for the Franchise Receiver:**

##### **2.7.1.1. High Investment:**

Franchisee's are usually forced to pay an entrance fee to enter the system. As a busy enterprise with tis on going speed, the system will save more money and benefits than an independent business which is concerned about the payment of fees.

The figures are based on the characteristics of the tens of thousands of businesses that can be requested (Williams, 1994).

Besides that, the franchise businesses use certain technologies, certain quality engaged in manufacturing, they are certain to fit the standard places, so maybe they may be able to choose materials and equipment that independent operators can not afford. Therefore a payment of little more than what is needed to make a similar investment business may be required ([http://www.kobifinans.com.tr/danisma\\_merkezi/021201/9162](http://www.kobifinans.com.tr/danisma_merkezi/021201/9162), 2006.).

#### **2.7.1.2. High Operating Costs:**

Franchise receivers other than their costs also have to pay a usage fee amount to the franchising company (Shane, 1996). This amount is generally levied on sales and services 4-8% sellers, sellers product-brand ranges between 0-3%. In addition, 2-5% comes from the advertising fund payments.

As franchise businesses provide regular and certain rules, they follow and pay taxes, their costs become higher compared to that of similar businesses. The reason is not that franchises are expensive but that their competitors engage in illegal work and unfair competition rivals (BİLGE,).

#### **2.7.1.3. Guided Study:**

Some investors value their own knowled of doing things.. For them it is not important that a decision is right or wrong, what is important is that the decision is theirs and theirs alone. Investors who feel like this may feel continuously under pressure as if the rules are their to expose their mistakes. Franchises should not be given to such people (Tuncer,1992).

#### **2.7.1.4. Strict Rules:**

The term that the small business manager is "the boss of his own business" is an expression used often but it often leads to misunderstandings. In fact, small businesses are at the disposal of the business. People can let go when the time comes when working in someone else's business without looking back, if you can make it when it comes to their business holiday does not resolve their lack of years.

When tired of working in someone else's business and want to start your own business, you can take along with you all of your customer, it is obliged to take every whim of their business. inevitable. Such people should not be franchised ([http://www.kobifinans.com.tr/danisma\\_merkezi/021201/9162](http://www.kobifinans.com.tr/danisma_merkezi/021201/9162), 2006.).

#### **2.7.1.5. Transfer and Cancellation Restrictions:**

When a person who runs his own business decides that he wants to quit his business he may do so at the expense of time for personal reasons not to squander the investment or transfer. As personal qualities of the manager are very important in franchise businesses- agreements usually bring restrictions to transfers predictions and asks for compensation in the event that the franchise receiver leaves the job (Mathewson, & Winter, 1985).

However, as the franchisor will receive a franchise entry fee from the newcomers these transfer processes are usually carried out quickly without much problem.

#### **2.7.1.6. Destruction of Creativity:**

The franchisee, operates the business in an envisaged manner and if he does not add anything from himself, it is unavoidable to lose creativity. This is a matter which should be examined on a case by case basis in terms of the personal traits of the franchisee.

The franchise system should not destroy creativity, on the contrary it should encourage and take advantage of this incentive (BILGE.).

For example, when the franchise has a new idea the franchisor may evaluate this idea and may then enforce the wide spread of this idea to the entire system if found successful. Detection of a loss of creativity, the franchisee is non-creative and a state system that has well-run franchise.

#### **2.7.1.7. Loss of Freedom to Purchase:**

Franchise receivers are required to conduct their purchasing from certain places and are not able to engage in bargaining.



Even though this situation is prevented by competition law, in order to maintain the quality standards of the brand the franchisee is not permitted to make purchases from where they want and what brand they want.

Due to the difference in quality conditions in Turkey such as a reluctance to give guarantees, it reduced the shelf life, so the spot market. The cheaper of all products is thus offered to businesses. Sometimes they really expect higher profits on products from outside that franchise. In most systems even though the franchisee doesn't have financial damage due to this, almost all franchisees think that they make purchases expensively (Bilge, [http://www.kobifinans.com.tr/danisma\\_merkezi/021201/9162](http://www.kobifinans.com.tr/danisma_merkezi/021201/9162), 2006).

#### **2.7.1.8. Agreement can be misused:**

Franchise agreements are often a result of long struggle by which the franchise agreement are prepared and they usually have articles that protect primarily the franchise provider.

This may be viewed reasonable in order to preserve the standards of the system from malicious franchisee to prevent them damaging the brand image.

In the rare event that the franchisor is malicious the franchisee may suffer serious damage. Based on the agreement on high-priced goods for sale, unsold stock be transferred to the franchisee, the termination of the agreement on flimsy pretexts, very close to the same new brand and they may be further provided with a greater franchise (Bilge,)

#### **2.7.2. Franchise Thinking of Getting Attention Not Required Elements:**

When an entrepreneur decides to start from scratch and invest in an entrepreneurial investment, ready to buy a business, he/she can decide to take part in a franchise. First you should decide on an objective and determine why you want to make an investment. The entrepreneur might want a lot of money, and may want to be independent in their work. As franchising is an obvious subject for abuse, those who want to take the franchise must undertake a good research (Bates, 1990).

Franchising a business system is the product on sale. The system must have been tested and it has been proven to be successful. They will not be only applied by the franchisee. It is guided by a chained-up businesses which has been successful.

This of course has a price. One of the greatest mistakes that the franchise receiver may do is to purchase goods from outside rather than the center where he is obliged to buy. This may damage the system. Therefore, when assessing the required amount we should evaluate certain non-numerical points for the franchise. This is positive based on what you know and how much you will receive as an opinion.

If a competitor rises in the future you will have a competitive power. All the advantages and disadvantages of the system should be considered before deciding whether costs should be considered too.

Regional protection is established with a franchise contract, where you are able to act knowing your own brand will not be competing against you, you can take control when you make a mistake, and you are prevented from making errors in site selection, you can make comparisons with other franchise areas in the chain.

The system requires a good performance. For example, the entrepreneur must ask himself whether he will get up at six every morning, or whether he is willing to stand at work until 10 o'clock at night, or he would not come to work seriously to establish the idea of taking advantage of others.

He should question himself regarding whether he has the skills, experience, training, patience and financial means that are required to manage a franchise business. He should know that he has to forfeit some of the autonomy he had when he was running his own business.

Investors should ask themselves what they can and cannot do and what the franchisor can do for them. The profit and loss of control of the franchisor company should be thoroughly investigated along with cost tables and investments and also feasibility studies should be carried out. It is the natural right of those who want to take this franchise. One should not be fooled by the brochures they get and they should do the necessary research regarding the franchise.

## **2.8. Factors Leading Success or Failure of The Franchising Practices:**

### **2.8.1. Enhance the Franchise Success Factors:**

- Initiatives of your presence in the business sector to ensure accurate analysis even in associative sectors.
- Define the right market, you get your news from research organizations and use the information.
- Make the correct business plan, better manage resources and should wonder what is intellectual capital.
- Joint ventures, mergers, strategic alliances and get your news from the purchase.
- Be confident but know you can be limited, the missing (personal / professional) developed
- Crisis, opportunities, know how to take advantage of niche markets and sub-segments.
- Do not copy anyone, take advantage of the necessary benchmarking and Franchising
- Make Preferably, the original, but you get attention and make a difference in the direction desired by the customers.
- Personalize the products and services your customers demand dispenser, or even create demand.
- Manage all kinds of demands and complaints right, turn in your favor and go to your competitors.
- Use of technology to produce if you can, just stay at the level of the web page.
- Invest to become the first brand that comes to mind, make personal brand if necessary.
- Try to contract professional advertizers for your franchise, it may be blossom if there is humor and entertainment.
- The structure is not a modern marketing methods in marketing 4P level,
- "CRM-Customer Relationship Management" Use what you know and get it right.
- Be aware of globalization, but do not forget local act smart to treat mania.

- Follow good social and demographic changes it has great benefit.
- You lose your competitive advantage because of the restrictions on prices, manage costs.
- Do not try to create an advantage over your competitors, if possible, they also get your customers.
- Accurately and dynamically take charge of your business strategy and company policy to get customers.
- Downsizing "downsizing" as "rightsizing" Knowing what makes you grow up.
- If necessary, "contracted grow" expressed as benefit from networking.
- Keep track of changes, take advantage of adapting, "Dream Engineering" search for what it is.
- Be open to training, improve yourself, give authorities with responsibility.
- Your future plans, joint decisions, managers and customers from idea to get support. Your right to get your financing models and financial resources, manage your cash flow better.
- Make written agreements, corporate relationships get ahead, not only confidence.
- Immediate contraction during the crisis such as small savings can adversely affect employees.
- Resource banks to supply you credits, venture capital investors, institutions and the support of institutions such as KOSGEB will be notified.
- Focus on Success, solves problems, not complain, but the best time to take advantage and manage.

## **2.8.2. Some success factors for the franchisee Franchising System:**

### **2.8.3. Failed Causes of a Franchising Initiative:**

#### **2.8.3.1. Why Franchise System of Preference:**

Each company's first priority is of course to increase profits and growth. Companies that have adopted this system of preferences and the franchise will be moving naturally suited to this purpose.

As the entrance fee for payments to be made by franchise area businesses increase profits without new investment the franchisee, allows the least cost growth and development (Maynard, 1997).

Other advantages brought by the franchisee can be summarized as follows:

- Increased business volume growth and brings increased efficiency.
- Further sale of goods and services facilitates the possibility of finding the franchisee loans from financial institutions.
- Faster and selective distribution is concerned. The control of the distribution system is easier.
- Rapid and continuous flow of information provided on Sunday.

Franchising is one way for a fast developing marketing channel system (Mucuk, 1994). Particularly in marketing services agencies and brokers (brokers), and electronic distribution channels are used for franchise type vehicle. These are the most common types of franchising.

Franchising is one of the vertically integrated marketing channel system. These systems has a centralized system of power and channels which it can use to provide leadership, division of labor has impacted management and controlled features. Vertically integrated system, the cost of reducing the number of intermediaries in the channel to ensure the fall, increases coordination of activities, reduce storage and other costs. In addition, the creation of agreement, such as communication difficulties eliminates time-consuming obstacles.

## **2.9. Franchising Application Process:**

### **2.9.1. Franchise System Advantages:**

When setting up your own business and lose energy is minimized with this system. The accumulation of experience over the years are transferred in a short time with the training to entrepreneurs. Previously tested and proven with a well-known brand, it is possible to use the techniques and procedures of operating system.

Short-time entrepreneurs who learned the tricks of the business are having a real competitive advantage.

The franchisor provides the franchisee with business training services and professional staff support. Continuously you can receive counseling behind the entrepreneurs in this system, everything about him which support "That is knowing". Thus, the business world new stepped chance to work with professional could not be employed as a financial one entrepreneur is born.

Entrepreneurs, potential customers through the franchise system can generate substantial money by spending, it is not you setting up your own business. Opportunity arises to take advantage of the facilities provided by the well-known brand loyal customers and business. Brands because it is known and recognized by consumers, entrepreneurs can easily buy the product.

Together with national or international brand quality and are standards owned. Thus, the product can maintain a standard quality (Stanworth & Brian, 1995). Entrepreneurs are provided with adverts to begin work as a system and thus saving expenses for advertising. Finding quality staff, who are taking advantage of franchise businesses in the recruitment and training of technical issues.

The franchisor's business are taking advantage of the financial and legal advisors. Franchisor's are constantly benefited from the research and development efforts. Financial, commercial and personnel support provided, the chances of success given weight to the technical function is increased. In this way, entrepreneurs can concentrate his time and energy on sales and marketing (Kotler, 2000).

The entrepreneur himself with people who can share ideas easily and enterprises around the world adopted the same business-like and can follow the latest developments. By joint action with the small business franchise and management problems they might encounter are minimized.

The establishment of the company; The use of scientific techniques in the selection of plant location, leasing etc. Providing financial support from sources standard for business management, accounting, sales and implementation of proper storage function is possible.

### **2.9.2. Disadvantages of Franchising:**

Entry fee payable to attend the franchising system is usually high. According to the nature of the work done initial fees; that the use of the company's brand franchise, the necessary equipment to be placed on the store fixtures and inventory, regulation of business, education, received in exchange for the provision of educational materials. McDonald's, Wimpy, the cost of getting a recognized business from franchise like Holiday, real estate, franchise getting costs in areas such as home cleaning services is different.

According to the franchise agreement; necessary materials and equipment, taken from the stores determined by the parent company or will be provided by the parent company. Materials can be bought even cheaper than their regional suppliers, but franchisee must buy from the place designated by the parent company.

Decisions on how to share between the belly side are determined by the franchisor for the franchisee's financial strength. Franchise other than the system entry fee, such as royalty fee which is a percentage of the monthly sales (1% to 11%) must constantly be paid to the parent company. Another important disadvantage in terms of Franchising franchisee, the franchisee is legally independent although an operations is constantly inspected and controlled by the parent company.

Franchisee, due to the deterioration of standardization can not modify the content of the products they sell in their regions. Construction of all kinds of products, must be the same in every business in the franchise chain. The quality of the offered goods and services, form and content is fixed and kept confidential. Franchisee should pay attention to the activities of the border region, which will be specified in the contract. Somewhere close to their unit as a result of the opening of a new franchise unit franchising conflict may arise between them.

### **2.9.3. Advantages in terms of Franchisee Franchising System:**

When setting up your own business and lose of energy is minimized with this system. The system is perceptible just like an open university. The accumulation of experience over the years are transferred in a short time with the training to entrepreneurs. Previously tested and proven with a well-known brand, it is possible to use the techniques and procedures of the operating system.

This is an entrepreneur who adopted the franchising system, thereby preventing re-discover America. Short-time entrepreneur who learned the tricks of the business is having a real competitive advantage (Bates, 1990).

The franchisor provides the franchisee with business training services and professional staff support. Continuously you can receive counseling behind the entrepreneurs in this system, everything about him which support "That is knowing". Thus, the business world new stepped chance to work with professional could not be employed as a financial one entrepreneur is born.

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The entrepreneur himself with people who can share ideas easily and enterprises around the world adopted the same business-like and can follow the latest developments.

By joint action with the small business franchise and management problems they might encounter are minimized. The establishment of the company; The use of scientific techniques in the selection of plant location, leasing etc. Providing financial support from sources standard for business management, accounting, sales and implementation of proper storage function is possible.



#### **2.9.4. Disadvantages of Franchising System Franchisee in terms of:**

There is no creativity. The franchisor stands out as a team and must comply with the rules laid down by the restriction. Because a significant portion of profits goes to that segment for carrying out enough research in the franchise contract.

The contract products are widely used to raise the price of brand or franchise to pay the entrance fee. The franchise agreement should be provided more cheaply in the market. In the case of gaps in the Convention system, it is working in favor of the franchisor.

The franchisor's Franchisee distrust rights and opportunities provided by contract to keep the limit causes. In this case the parties can arise from a variety of friction. By continually monitoring the work of the concerned franchise. Businesses identify and evaluate the performance of commercial activities which is to be monitored constantly and the financial statements of the various business information and examination to be left open to the third parties if need arises.

#### **Operation of The System In Turkey and Franchise Area of Franchising Directing Reasons:**

##### **2.10.1. Legal Aspects and Franchising Contract With:**

Franchise contract giving rise to a continuous debt relationship between the parties is one of the exact type of bilateral agreement.

This agreement arising from the legal relationship between the parties, will form the basis of fundamental rights and obligations and other legal proceedings solely on the basis that the parties will follow in the future.

Using a franchise system and transfer of rights in the trade mark can not be edited with this contract. This feature complements the franchise agreement due, delivery of goods, such as identifying training requires many complementary contract basis. The presence of the franchise agreement alone does not provide a possibility to demand reciprocal actions. Providing the franchise's birth certificate is a contract between the franchisor and franchisee. Franchising is a binding contract and it is a legal document for both parties mutual rights and obligations. This contract (Franchise Contract) written is to include very detailed and almost every issue in a normal and usual practice.

Franchise agreements, debts are not regulated in our law. Therefore, franchise contracts in accordance with the principle of freedom of contract, but freely arranged between the parties as to stay within the rule of law (Arslan, 2006, s.15).

Franchise sales contract, lease, power of attorney, service, rental revenue, such as debt contracts, as well as their similar types of contracts is located in the Law, likes of Commercial Law also have seen the location of relations agency. However, it should be noted that the franchise agreement is not the type of contract mentioned above. Therefore the correct legal qualification, is that the type of franchise agreement with a peculiar structure of the contract. Therefore, franchising, franchise (that) (franchise) and franchises (space) (franchisee) called, is legally independent from each other contractual relationship held between the two sides.

#### **2.10.2. Franchising Franchise Agreement and Franchisee Responsibilities in Franchisee's Obligations in Franchising Contract:**

Royalties, instructional services, all standard enterprise spending on skills transferred by the franchisor (current expenditures in the supplementary list) made will contract price of 10,000 per franchise is the payment as specified in the law and has to be accepted (Saatçioğlu).

- Franchisor's work instruction, the general hygienic rules and prescriptions will comply with the order to add another comment.
- Franchise, its own work, availability itself, the service will be offered under its supervision. In the absence of the beginning of the job for any reason, business as if it had been accepted as a necessary sanction is applied in place, in case of termination, the contract should be reviewed again.
- Franchisee has its own Social Security place of the business, finance belonging to 3rd parties with municipalities and other public institutions are obliged to fulfill their duties and obligations. Any liability arising there from franchisee of recourse can not be loaded.
- Franchisee at the end of each month, report the mass-selling to the franchisor
- The development of the franchise business and to show maximum effort to protect the integrity and the common identity of the franchise system.

- For Franchisor's efficient management performance to provide business information and to determine the financial situation will help the franchisee's representatives to examine business records.

- Franchisor belonging prescription, systems, programs and similar private information and documents will be accepted in full confidentiality and undertakes to transfer to 3rd parties. 3rd parties to make use of the right of all or part of the franchise. If the recipe without any information, materials, and document the extent that give information about the system in advance and agreed to pay \$ 50,000 compensation warrants.

#### **2.10.2.1. Franchisees recognized rights:**

- Franchisor's use of the trademark and logo at the address specified in the contract.

- Posters of brand signage and advertising vehicle for use are located in the workplace.

- Brochure with the needs of the region, napkins, boxes and so on. Total cost of provision of printed materials by letting the center to distribute.

- The date of this agreement, in the event of new product not on the menu, learn the recipe and formula, request to apply the same quality with the franchise.

- Franchise rights, the facility can only be used in writing in the contract.

#### **2.10.2.2. Franchisor- owned liabilities:**

- This contract is subjected to and if pizza and take-away menu will be produced by the franchisee or later of products to be added, the teaching of advocating the practices and service methods, and the ability to apply the gined training system procedures and ensure they are given the best service by checking in accordance with the principles.

- Business inventory to providing the services needed by providing hardware and equipment, to design appropriate kitchen work flow.

- Workers' paying to belong to franchise provide one month of training to all personnel with master trainers.

- If necessary, the franchisee's products bring immediate solutions to some of the problems.

- Provide training in special computer program, in order to ensure the practical acceptance
- Brochure of the system, price lists, boxes, napkins etc. such as by preparing printed materials to be distributed to surrender in exchange for compensation
- Franchisee, Franchisor will damage business reputation and customer relationships, being in behavior detrimental to the prudent trader mentality and if insisted on maintaining it, brand and other contract terms protect the reputation of the franchisee has the right to unilaterally terminate and obliged.

#### **2.10.2.3. Franchisor Recognized Rights:**

- The date of commencement of the contract for the establishment and commissioning of the system and organization of the start of the process in advance and \$20,000 in cash will be charged (Bates, 1996).
- Standard equipment, commissioning, total tuition fee is paid in return the currency accepted is US dollars and it will be \$ 50,000 in cash, the remaining amount will be in 4 equal weekly installments.
- In business, selling price, service quality, always wants the cleanliness and customer relationship are entitled to the inspection and computer report.
- Franchisee's gross sales. 4 percent royalty will charge right through the day to day or 10 day period. ( Daily sales report are calculated by computer, it can not be identified for any reason if done on weekends, including account the average of 4 working days)

#### **2.10.2.4. None of the provisions in the Convention on franchising Required General conditions:**

- Franchisor's resources as determined and approved, the purchase of goods will be considered as the first choice.
- Franchisee company in person must supervise continuous service.
- This contract without the consent of the Franchisor can not be transfer to 3rd parties. It is allowed to use the rights arising from the contract.

- Required standards are set out in additional expenditure for investment. Location is paid to the additional expenditure required by the state franchisee within 3 business days following the end (of turnkey businesses).
- Renewal of the Agreement; If for any reason it is terminated at the end on the side of the report in writing within 30 days of the request it can be renewed for 2 years.
- Termination of the Agreement; Despite warnings that a failure to do instead of or failure to comply with obligations under this Agreement if the measure within 3 days of receipt by the franchise contract is terminated unilaterally.
- Contract terminated business over the rest brochure signage and belonging to our company logo products used the same work in any way and can not be sold without permission of foods brand, it can not be manufactured, in case of violation of this article franchisee agreed daily \$ 500 compensation and warrants.
- Franchise event for any reason, termination or renewal of this agreement, not manufactured any products in adam place like menu does not sell, sattira, considered the beginning of this essential work and commitment. \$ 10,000 to pay compensation in case of violation of this article without the need to undertake and accept any warning, he also removes the product from sale.
- Failure to implement the Convention, in order to be sold to 3rd parties mentioned in the brochure phones is allowed to use, transfer or Franchisor to be closed for 3 months. This agreement is comprised of three scriptures, one week before the signature of the parties have been read and signed the day before. In disputes arising from the non-implementation of the Convention 'Istanbul Intellectual Property Rights Law And Criminal Court' it is authorized.

### **2.11. Termination of the Franchise Agreement:**

The agreement to establish the debt relationship is a continuous relationship process from the time the primary obligation is taken until the contract expires. Where acts are performed during the contract. The interests of the parties in this agreement is the implementation of a process over time.

Therefore, the contract, not the performance of the actions, the duration of the contract or by complying with the notice for termination or expiration of the time it ends in an extraordinary way if the realization of a just cause (Bass 129).

Fixed-term franchise agreements, as a rule, are automatically terminated by the deadline. In practice, the franchise agreements, mostly within a minimum period of time, if one of the parties will not be disclosed to continue to contract, contract, or (prearranged) for a certain period, or are considered automatically renewed for an indefinite period. Just make it profit, although not very common in franchising practices, if the contract Umeda decided that the period of a maximum period also constitutes then, at the end of this term franchise contracts to the rule is automatically terminated. (Poray & Hamdi).

### **3. MAKING DECISIONS TO FRANCHISE IN TURKEY:**

#### **3.1. Operation and Functioning of Effective Incentives Umeda of Franchising System In Turkey:**

##### **3.1.1. System Operation in Turkey:**

They can achieve a competitive advantage in today's increasingly competitive business environment, it is possible to provide a high level of consumer satisfaction. Comparing the greatest benefit of the system is the system independence on all operations from the manufacturer to the consumer in the distribution channel, which is systematise.

In addition, vertically integrated systems reduces costs by reducing the numbers of intermediaries in the channel and increases the coordination of activities, reduce storage and other costs.

Literature studies, shows that it provides great advantages over independent retailers in the retail trade of the franchise system. Therefore, in our country since the emergence of the franchise system, turnover has been doubled. Entrepreneurs are applying these more closely, the advantages comes in a growing demanding ratio in this system. In these establishments outside competition is also an important place in Turkey's economy and other issues. Here franchising system, small and medium-sized enterprises is seen as a system that can bring a solution to almost any problem (Güler.).

When we look at the functioning of the system in our country, we can see that franchise businesse primarily stands out from the manufacturer. Sales Channels of distribution networks based on a uniform signs is transforming into a franchise system with similar makeup and showcase as decoration. Their decisive hand "product brand" are used and expressed in these chain stores and sold a hundred times if it is possible to see the transforming of a real franchise system.

From apparel to the woodwork on this issue, from fast food to white goods, automotive, etc. It is possible to give many examples from different industries (Ögdüm, 1994).

The delights of our local brand, we look at the services and prices possible to ensure that we provide customers satisfaction. However, it can fall short of organizing and managing of foreigners.

The majority if one day fall could spread to the world the brand is not put into practice. Another characteristic feature of our country is that it creates unfair competition practices in the business of providing adequate supervision by the state's small producers and service. Few outsiders enter the cheapness usually half the company's standards and care provided to our consumer brands and quality is far below the developed countries (Ulaş, 1999).

### **3.1.2. Franchise Benefits to Provide Incentives in Turkey:**

First of every individual operators operating under the same brand, using the same system, the same fund advertising, from the same source supplying goods, education, businesses must see the same place under a single incentive certificate.

Which is much more important than moral support and financial support to encourage the system check will be given. While individual investors will have greater confidence. If you ignore the job half will lose their advantages for the incentive it will cling more tightly to business.

Main firm knowledge that you need to work in order to receive incentives, institutional infrastructure, and support services to complement the investment and management organization.

The main company will be promoting the addressee to work harder for businesses not to fail or suffers failure. Incentive get to be seen as a means to impose its authority on the project. Confidence will be provided, it can be obtained relatively in favorable terms with credit or leasing from banks that do not belong to the public.

Incentives given by the state will be the guarantor of one of the project which will constitute an important criterion for membership or UFRAD rules to be obeyed.



Thus, to obtain a significant sanctions against members of the incorrect application of UFRAD. Franchise areas in times before an important and authoritative "complaints authority" will be. He also will hold the pulse of the franchise industry in our country. UFRAD get results from the complainants refer to the organization as a control mechanism system with small enterprises, consumers will be able to go to the courts or the relevant Ministry. Turkey also considers the benefit the franchising system will provide. If it the incentives will include:

- Investment allowance
- Exemption from tax on imports,
- KDV delay in investment goods,
- R & D, promotion, patent, trademark, contributed to consultancy costs
- Long-term, low-interest loans and the provision of leasing,
- Support for guarantees for loans

### **3.2. Franchise System and Social Media:**

#### **3.2.1. What is Social Media?**

In our country, not tum world of social media, the younger the child anymore, elderly adults until the instant that an indispensable part of our lives no longer true.

Social media is not only reaching the target audience of social life in our lives a commercial vehicle. Social media marketing especially in commercial areas, which are the real customer of the company, has become the easiest and most inexpensive way they can reach directly to their portfolio.

#### **3.2.2. Why Social Franchising?**

If the terms of our social media to social media usage country, Turkey is also using social media with the top priority of the 92`s% of our country compared to the world of the Internet users (Mucuk, 1994). When this is the case with social media marketing, especially in the field of development of trade has taken an active task.

According to the social groups to previous eras according to the increased advantage of social media; franchise system and franchise brands that enterprises are able to reach a lot more people with less amount of their budgets spent with various social media tools.

If a value is picking social group; the existence of human life at any instance is mobile. In this case, to ensure the continuity of the brand or the consumer on the life of every instance it reveals the truth to expose advertising (Birkeland, 1997).

Social groups especially in the field of marketing studies the franchise in one of the most important characteristics, the location of companies' wish, the wish of the age range, and even professional groups want to be able to target shooting to the hobby. For this purpose it is indispensable for the system in the marketing unit franchise system.

Consumer habits or to change their routing to it begin to be much easier in social media. Last term I appeal especially to young people wanting to work had especially big brands advertising most widely youtube, facebook, instagram, twitter and so on. get used to the vehicle are brought. This work was launched through social media tools for customer satisfaction management. Demand always keep on the living, to create end user demand, to acquire new markets on the social media was an indispensable tool.

### **3.2.3. Franchise and Franchising through Social Media:**

Business, allows to make faster and cheaper service or parts imported from other countries.

- Reduce the distribution channels, or even remove it completely. Reducing the product's price and manufacturer making it more profitable.
- Production of digital products, reduce inventory and distribution costs by 90%.
- Drawing reduces storage costs and supply chain systems makes it possible to customize the product.
- Reduce the communication costs. Because the Internet offers cheap communication services than other channels.

- Be able to compete with large corporate firms to small businesses providing the facilities.
- Allow the emergence of small market niche.

For consumers;

- Cheap and fast research for consumers and allows them to find the most appropriate product or service.
- It raises the possibility of choosing between more products and manufacturers.
- Internet access from every point of which is to recognize the possibility of shopping 24 hours 7 days a week.
- Provide consumers of products or services to reach detailed information in seconds.
- Consumers computer from a car can offer customized products at competitive prices.
- Provide people with the ability to work from home.
- It offers consumers convenient environment for them to do their increasing deficit.

Customers price;

- Familiarity enable them to travel less than the opportunity to work at home and shopping, this is less traffic, returning as energy use and air pollution.
- It allow the sale of cheaper goods
- Base raises people's standard of living.
- It normally provides People living in rural areas or developing countries the opportunity to reach the product or service.

### **3.3. Franchising Economic Size:**

With globalization and increasing marketing challenges from one of the manufacturers of pre-conditions for sustainable fishing, it has been serving the three major regions of the phrase Alone: America, Europe and the Far East.

These three regions, as well as the old and the new world economic leaders (USA, Brazil, UK, Germany, France, China) is housed.

With increasing population and growing marketing techniques, lobbying of multinational companies, the transition to open economies, open economies and liberal understanding of the day by strengthening many multinational large gains in global franchising network to protect the assets of the company providing the acquisition.

Giving examples from different sectors, franchising company may consider providing money flow on a global scale:

Energy:

Shell, one of the world's biggest fuel providers, in 2012, has achieved earnings of US \$ 27 billion.

Food:

McDonald's also has annual average of nearly 200 branches in Turkey in the Turkish economy (employees, lawyers, architects, Middle East, exports etc.) contribution is around 60 million US dollars.

Tourism:

In 90 countries, there are 15 businesses in 3900 serving with the Hilton hotel in Turkey.

Textiles:

Established in London continued to manufacture and trade in Turkey Ramsey, today has 155 outlets in 19 countries, mainly Russia.

Transportation and Logistics:

One of the largest transportation service in the sense that the global UPS's total revenue in 2010 was close to 50 billion USD.

Chemistry:

Hugo Boss sales of 2.3 billion euros in 2012, which is a major German companies selling franchises in 129 countries with 1,200 stores. As can be seen from the examples given, both multinational companies based, needs franchising as a marketing method that is preferred by the other shareholders, (PİRTİNİ Serdar, 1997) and plays one of the key tasks in the provision of hot money flows globally.

UPE and Franchising:

International political economy, and benefit from other social science disciplines from a practical workspace, political science, economics and international relations issues on the terms of an improved outlook (Şen, 1998).

The franchise, especially with lobbying having the power to influence national policy of multinational companies and capitalists, successful marketing is their preferred way to increase revenues. The intersection of these two different concepts, the nation-state's sovereignty rights, the future of free trade, the development of a liberal economy, which can connect to them with the environment and energy for human rights, can be consider fundamental issues on the level of welfare.

Countries affected by the multinational company or a single managed, it is possible to explain mutual dependency; but also it is asymmetric dependence will draw a more realistic framework in today's conditions.

Mutual economic dependence with overflow effect today is considered to be in the US's favor, and "Hollywood (cultural power) increases changing demand for American goods consumption habits under the influence (economic power) such overflows" are examples of the effect. In addition, the franchise is said to be a marketing method that benefits from different disciplines such as international political economy: demographic (population), economic, social and political environment, culture, determines the strategy by taking advantage of legislative factors or shaped according to these factors, and can be seen in Russia, for example, political instability, corruption, organized crime, tax system, all other factors such as investment trust mainly franchise unheard numeric data will affect in a negative way.

All these different; but interdependent disciplines of the human subject is in the main elements, individuals can be regarded as positive view on franchising issues. Specifically, individuals, capitalists turn to look hotter franchise company with its own country in a foreign country, there may be a chance to explain to economic nationalism or realism.

Also, consumers, welfare and needs, tastes and preferences, we also assess that the open market in existence found that the franchise method can also be accessed on the result of the adoption as a political tool (Shook, & Robert, 1993).

On the other hand, it may also lead to a competition between countries or between countries with franchising companies. For example, for the first time in 2008 Gloria Jean's Coffee opened a branch in Northern Cyprus, the island's south caused great concern and the company's management had been made in the various warnings and threats; but when the market share taken into consideration, Coca-Cola and some multinational companies of the North representative in Cyprus, which Kaner Group, franchise rights had attended President Talat of the period recognized and the opening of the first branch.

Similar problems, another food company that has branches in 20 countries is Johnny Rockets hamburger-based company which also experienced its first branch opening in the island's north. International sanctions used as an instrument of law and policy, was drilled to observing conflict of interest, either directly or indirectly. A first step in attendance, morale in the different shareholders and have given multinational companies and led to the launch of initiatives in different areas.

The biggest role in fixing this situation, the TRNC government fell and changing governments, just by being in the same line immediately, without exception, he has conducted the stimulus package. Between 2000 and 2008, as a result of the approval of incentives allowing 350 TL million loan over Cyprus which also played a role in the international financial and trade sectors, although the de facto identity.

As in the example of Cyprus and India, recognized as one of the developing countries as well as the economy in Turkey there are some incentives. The most important application that can be seen as significant, support is given to the company in which average around £ 150,000 by opening franchises abroad and growth initiatives.

Countries can be supported by different national and international banks can provide loans in many aspects and franchise investment can take some credit in the developed countries like the United States by the support state.

Cyprus, India, Turkey and brought the country with different political or economic conditions, such as the US As can be seen from the incentives, the franchise is at least one other investments and supported by governments, business types and based more Western methods of its own history.

On the other hand, especially fast food, move to the forefront of the world economy through sectors such as the garment is adopted in which the actors.

Especially multinational companies, in the international arena, the franchise as one of the preferred basic marketing methods to benefit from an open economy can survive by focusing on the fundamental issue of social science subjects. Individuals and that without consumers, it is impossible to conduct commerce.

As everyone knows, the other shareholders with multinational companies as individuals focused on his needs, tastes and preferences and socio-economic status, political culture, and opinion was needed to address the various points like faith.

Also the case with effective laws and regulations at local or national level are: For example, India is the world's second most populous country, and despite the high population diversity-owned market is not about a new franchise. On the other hand, they apply the tax laws of the country, product or service conditions, how to be free of the open economy, the positions in bilateral or multilateral agreements, franchising initiative which may affect their investment.

### **3.4. Franchising System : Sector Analysis:**

Growth record literally breaking the franchise market in Turkey.

The number of chain stores 900 thousand, the number of branches has reached 50 thousand. According to experts of the sector in 2014 to protect the investment attractiveness of the franchise and the star comes at the beginning of the works (Evans, 1987).

Thanks to its first profitable franchise system which was born in the United States and quickly spread to the world.

Particularly the United States, Britain, France, Germany, Italy, Japan second millenium of brands, including franchise gives rise to the adoption by the company before the international prevalence in each country according to the country's economic structure begins to be implemented by domestic firms in 10-15 years. Consumption in almost every country in the potential of leading brands that have invested in this area.

Working with the franchising system in the world there are about 60 business sectors. These sectors include car hire, computer, retail outlets, education, food, health products, dry cleaning, there are sectors such as fast food. Especially in the service sector diversification which is increasing drastically.

Franchise brands using the system is by far the competitors into past cases of competition between franchise brands now experiencing size and growing generation will be looking prevalence brand with the brand. The non-chain places do not even want to give the brand of shopping centers, providing an indication of how to rule in the future franchisor. Even companies that do not franchise, but when they manage to work with chain to use the technical franchise expansion.

### **3.5. Franchising Market in Turkey:**

Experts agree that Turkey will continue its growth in the franchise market in 2014. Dealership market and retail sector in Turkey will continue to grow rapidly. Foreign Mansel future new investors. It will open branches in the domestic as well as overseas as domestic chains. The number of national markets brand will increase in Anatolia.

UFRAD (International Franchise Association) data, there is 876 chain stores in Turkey. 24% of them foreign, 74% of Turkish origin brands. They belong to 50 thousand branches around the franchise or the franchise system is growing. There franchisor 471thousand companies in Turkey.

The percentage of chains 78%. Only the chains themselves opening their own branches operating rate of 22%. Not so until five years from now the number of franchise companies that ranged from 400-500. Even these figures only show tremendous growth in the franchise market. The annual volume of the market consisting of the representatives of these brands have reached \$ 35 billion.

Three topics as the dynamo of the rapid growth in the franchise market in 2014 burgulany. Shopping center (AVM), increasing the number, the rapid development of socialization and culture of eating and drinking out. According to experts, increasing urbanization and the impact of the shopping center to be opened in the franchise market will grow in 2014 (Phatak)



Food and drink industry sector is without doubt the most remarkable in the franchise market. Companies operating in this area are opening branches one after the other.

### **3.5.1. Growth will be in which areas?**

In Turkey, under the leadership of the franchise market grew food brands. However, activity in the period ahead will be seen in non-food areas. According to franchise consultants, food in big cities, retail has reached saturation in many areas such as education and service. UFRAD members propose making growth plans in Asia Minor and abroad in the future.

Increase of people eating habits outside, change in society's socialization habits, without slowing down the opening of new shopping malls, people's busy schedule due to cleaning, painting, some services outside making such repairs, the increasing trend towards income level increases tastes and preferences, foreign people with a changing world giving importance to appearance, thanks to the market developing housing in the restaurant market in Turkey, branded cafes, bistros, fast-food, clothing, services sector, personal accessories, gifts, design, decorative items, wall hangings, jewelery, precious stones, sports centers in areas such as real estate purchase and sale of franchisin is common.

Distribution sectors of the food chain, 24%, 27% product, 16% services, 33% were identified as clothing. More than 200 market of adult clothing and accessories chain. Café, while the number of fast-food and restaurant chains has exceeded in 100 cases.

The effect of rapid expansion of shopping centers, a franchise brand is experiencing an explosion in Turkey. European Franchise Federation (EFF) ranked Turkey first in number of franchise chain, according to statistics. 375 thousand in Turkey brand in France, followed by the 960 brand in Germany.

### **3.5.2. Franchise those who want to enter the market what to pay attention?**

Turkey's economy, much of a young population in terms of its geopolitical position and have superior features such as proximity to the world market.

Therefore, the number of companies with investment plans in Turkey is increasing. USA, Canada, Germany, Spain, the companies operating in different sectors from many countries such as India that we are making plans to invest in Turkey.

Entrepreneurs and investors must be careful to find the original project when investing in a new field. Making similar designs from other brands is not the right solution to emulate. The original project can provide for those who create commercial success.

Be able to measure well the demands of the investor community. Right brand in the area to invest, conduct, and the right team in the right location. These elements to enlarge the existing franchise areas as jobs for those who plans to open a new branch also very important.

In particular, it is seen as the most important success criteria for the correct location. For the Construction business to grow in the right direction on this issue, it should be very well investigated. As we look at the most important causes of failure because the prefix aimlessness and emerges in the wrong place.

Success in the franchise market franchisee (franchisee) and the franchisor (franchisor) also depend on expectations. To say it was successful franchise systems, it is essential the franchisor must meet the expectations of both areas. Increased growth and jobs is important in terms of the franchisor. This brings with it increased efficiency. Selling more goods and services to facilitate the possibility of finding the franchisee loans from financial institutions becomes faster and selective distribution is concerned.

Rapid and continuous flow of information supplied to the market is important for the franchising field of a reputable brands. It will then be independent and reputable business. Rapid return of further investments to provide income satisfying to live, tested, proven, low-risk business, lowest cost and highest income, is well-known brands will be sold convenient, readily available, having a customer base is happy expectation of limited and simple, to be a company can consult with related problems behind when the operating experience is important.

A number of drawbacks to both sides of the franchise system is also available. Entry fee payable for the franchise to join the franchise system is usually high. Decisions on how to share between the belly side are determined by the franchisor for the franchisee's financial strength.

Too high royalty's can lead to having to be asked to close their businesses franchise areas. Franchise to, standardization compromised should not modify the content of the products they sell in their regions. Construction of all kinds of products, must be the same in every business in the franchise chain.

There is no creativity in terms of being a franchisee. Franchisor's put that adhere to certain rules and restrictions necessity arises.

Can not do enough research on the contract stage, a significant portion of the profits goes to the franchisee. The widespread use of contract products and increase the entry fee.

In accordance with the franchisee agreement to be mandatory on certain products it is possible to be cheaper than the market. In the case of gaps in the franchise system in favor of contract work it is possible. Franchisor's franchisees to insecurity, the rights and facilities provided by the contract leads to be limited. In this case, friction arises between the parties.

### **3.6. Statistical data of the Franchising: Turkey vs global markets (US, UK, Japan)**

#### **3.6.1. What are the franchise system applications in Turkey and illustrates how a development?**

Franchising system has been implemented since 1850 in the US, it has found first-time applications with McDonald's in 1985 in Turkey. In the following years from Wendy's, Wimpy, Kentucky Fried Chicken and Pizza Hut fast-food field became representatives in the franchise system. Turyap similar systems established before these chains and hundreds of workplaces were opened.

System operators held by the client, no later than the third branch after opening the new branch, they are common people who will operate. Today our country has more than 60 chain shops in 1200 operations.

They are approximately half of foreign origin which are reflected in the domestic chains. The number of branches of the locals are more than foreigners. The reason is that investors who are online to select the country where locals are more suitable conditions. Generally, those are all accepted as foreign and domestic investors, foreign operators are not only the source of the system.

In our country, in 1990 the franchise has continued stumbling in a sense. World leader in the sector have found that they expect the first trial from foreigners. Fuddracker's, Dairy Queen, Baskin-Robbins achieved worldwide as chains, Turkey were forced to close in the first place the operations of more. Wendy's, Wimpy, Mail Boxes Etc., 7-Eleven, in which the representatives of the Jani-King chain companies have experienced changes or wear.

Franchising is the most important factor for individual practitioners. Investor said that the transfer of the first chains can not say; Failure. Because some less profit, more profit has delegated that some meat. In each case the desired person to be wrapped up by the end of the take, the experience, the accumulation of not disappeared, but it has not been fully realized.

They had similar fluctuations in domestic chain. Mostly those who have achieved a good name and a business system began to use the franchise system. Add franchising experience, legal ambiguities, not to be selective in the people and chains given the rapidly growing number of franchise businesses because of jealousy as quickly dwindled again in 2-3 years.

Turkey on new goods and services, as well as franchising system for the arrival of new technologies and business organizations is an appropriate method. The countries as Turkey alone Licence fee, royalty, you must pay an amount of such dividends abroad. To truly be useful to the country's goods and services from this perspective, it is necessary to make a contribution to the country's economy from manufacturing technology and organization (Bruderl, & Preisendorfer, & Ziegler, 1992).

Franchising area that is important to the country. This method to promote Turkey's made a name for certain goods and services abroad and to have spread. In this regard, it is time to introduce some strong Turkish companies, our products abroad through franchise agreements. In such a way the outer and inner balance will be achieved.

### **3.6.2. Defining the legal aspects of franchising system in the world:**

- The franchisee legislation varies from country to country. In this respect, the application can be divided into two main groups.

Especially the US, in some detail the way the country has been the subject of franchising regulations. For this, a separate US Franchise Investment act (franchise investment law) and trade regulation rules (trade regulation rules) are available. Thus, it carried out according to strict rules set by the franchise of the federal government and state in this country.

- More land in Europe, because these issues are new, did not make the regulatory path and franchising practices aimed to be carried out in the general legal system.
- European shows that franchise activities must be driven a long way to reach the level in the USA. But today, franchising practices in Europe, have the opportunity to enjoy a similar level with the level of knowledge that can not be owned franchises in the United States.
- National Franchise Associations established in each country and are then in the International Franchise Association (Ifa International Franchise Association) are united. In addition, all national European Franchise Federation troopers was necessary to adapt to the local conditions to be applied ethics rules (Code of Ethics) adopted.

### **3.7. Results and evaluation: Analysis of the current system in Turkey:**

#### **3.7.1. What are the contributions of the franchising sector to the national economy?**

When we take into account the intense competition in the world market to do business with franchising system it is also much easier and without risk. Even SMEs have the technology through the system that can not be handle on their own, without their free education, parent company to benefit from the promotion of services and gain the chance to have a newly developed product.

The country's economy as well as the side of the system has many benefits. Today, consumer services and prices leading to the business signifies that they are confident they will find that the quality-price of desired is diversified due to the quality.

This increases the importance of business that can give without compromising the standard and widely used service. Franchising system is allowing the formation of such enterprises, whereby increases in quality and level of technology in products and services.

Of these, as well as franchising system; waste of resources, minimal downloading the prevention of general economic losses caused by failures, job creation, export and foreign exchange input supply should not be underestimated in the benefits of the most important products and services that improve the quality to be like the national economy. Type of franchise sales in 2000 are estimated to reach one-half of all retail sales (Casson, 2003).

The incentives granted in the European Union on Franchising. Franchising is a high job security card and line of business usually does not need incentives. However, there are usually small business franchises operating in the service sector that are benefiting from incentives given to SMEs.

State aid granted in the EU member states in this regard, with the main lines:

- Grants for organizations, low-interest loans or loan guarantees
- Relief or low-interest loans for investment in innovation
- Aid for investments in energy-saving or low-interest loans
- Management consulting and sales assistance

EU Commission after the meeting dated 15.06.1994 issued by the Directorate General for Regional Policy knows-the living, principles and priorities of supporting SMEs indicated.

These are:

- Quality, technology, management, communication
- Environmental protection and energy
- Research Centers
- Access to the market
- Training of its employees
- Loans and financing are concentrated in fields.

European Economic Area agreement 61 (3c) mentioned in their article "distort trade and competition would help" support will be provided under limitation as follows.

More than 10% of the support given to large companies in the area that is most clearly seen in the area who do not support the most gross 30% 15% 50% Education and consultancy services for the most gross R & D.

Up to 3000 ECU in investment aimed at creating new job / labor most ECU 200,000 15% in most other investments in private investment ECU 3 most 50,000 years before the EU announced an incentives, they are applied in member states which varies enormously but remain within this framework (U.S. Bureau of Census, 1991).

#### **3.7.1.1. Employment Impact of Franchising System:**

In Turkey about 8.4% of the workforce is unemployed. 15.6% of workers are employed in the industry. In developed countries the industry is able to work on a cut between 16-20%. Japan 23% This rate is nearly 30% in Germany. 52% of workers in Turkey are employed in agriculture (Bates, & Nucci, 1989).

In developed countries, this rate varies between 3-8%. Finding a job in the agricultural sector is reflected in the labor force in Turkey reveal hidden unemployment. The main concentration is needed in the employment services industry. To be unable to start the business, it causes evaporation of the capital.

Therefore, this also affects employment. Here comes into play the advantages of franchising and entrepreneurs can invest with confidence in a matter of never known. The system searches through the properties of elements are defined literally be given instructions to do things, like can be given on the job training in the workplace, there is no problem for business franchise of education seated. Efficiency and high chance of going to the press found elements. The quality of service, the element is affected to a minimum of modification.

In addition, the opening of new businesses in terms of the state of the labor market is important in terms of employment policy.

Constantly looking for new products, services and marketing strategies are emerging, which are created through new employment opportunities and therefore new demands (Weaven, 2004).

### **3.7.1.2. Leasing method of the franchise system:**

-Bank Loans leasing method in today's economic conditions seems to be the only alternative to franchising inflows to be financed through bank loans, bringing loads to franchising Today could be the maximum loan to 18 months divides, is can be done in 3-4 years leasing contracts.

-Fixed payments are fixed payment investors need to prepare for a suitable payment plan, or create a guarantee UNM property itself, as it requires less formality and easily make attractive leasing.

- KDV Advantage of KDV implementation of the tax agreements have lease payments of fees to be promoted directly by the state, subject to exceptions, such as tax advantages can be combined leasing expense is the most appropriate financing option for the franchise.

- The Leasing companies are usually asked for collateral from the main franchisee. Home franchise is a risk that the leasing company does not guarantee a minimum level.of Interest Rate leasing company. When the franchise is the main guarantor, the interest rate is reduced then the producer can be cheaper.

### **3.7.1.3. Elements in the leasing contracts for the franchising sector:**

Leasing contract for the franchising sector is an important element of security. Home warranty, if the franchisor is the minimum level of risk Leaser they usually ask for collateral from the main franchisee.

Because using the leasing system for small investor or they become legal entities. For example, the lease that Turkish Petroleum Economics Wendy's Leasing has made two-three shop decoration. If the master franchise is not activated, the operator does not pay the loan, leasing to take back the goods and can come first before buying. However, the main franchise may not want it, because they have the know-how brought to a machine. The master franchisee is required to give guarantees in this.



#### **3.7.1.4. The advantages of making the leasing agreement with a major brand in the franchising sector:**

If the company made a brand with a leasing agreement for all franchisees, the franchisee automatically applying the franchise agreement as a result of the franchisee leasing organizations and saying the amount of goods they want, can get the money without being subject to query questions.

Because the master franchise agreement says: These are found that if the new tenant does not pay the rent (franchisee) the states or the franchisees pay the whole debt. Here emerges the advantage of leasing. Because of the risk of coming down to the minimum level and master franchise leasing when the guarantor leasing crediting him because it implement low interest rate and then the franchisor and the franchisee are able to use long-term low-interest loans.

#### **3.7.1.5. Major topics of the franchisee is in need of investment funds and alternative solutions to these stages:**

The investment phase of the entrepreneur needs three basic housing fund. First franchisee fee, fixed asset investment and the second will be held for the purchase of goods and the third would be the beginning inventory.

Franchisee is the most appropriate resource used in general for sacrifice. Inflows for equity fixed assets, bank loans, leasing can be considered as alternatives. These options with 100% of the equity and long-term leasing without touching the funding has come to the fore. Also to have fixed payments, payment plans can be tailored according to the needs of investors, or establish a guarantee UNM commodity itself, in operational ease as it requires less formality increases the attractiveness of leasing.

All this encouraged that KDV application, be subject to the duty exemptions for taxes agreement, lease payments of direct cost can be combined with the tax advantages promoted by state leasing, especially with this kind of reason at this point may be attractive even without equity. Apart from bank loans to equity in beginning inventory, resources are available as dealer loans.

### **3.7.1.7. Franchising in Banking and Insurance Transactions Tax opposite situation:**

1956 dates and No. 6802 Expenditure Tax Act volume of investments makes franchising process according to Article 28 banks for such transactions in their favor, although they have to pay bank transaction tax from the money they receive in cash or on account of the franchisee which favors the customer whatsoever the reputation.

This is a 5% tax rate, as it is currently known. Because the 3065 Value Added Tax Law article 17, paragraph 4 (e) According to me, transactions falling within the scope of bank and insurance transactions are exempt from VAT.

If so normally franchise operations in practice 15% VAT and transactions carried out by banks are subject to a 5% Banking and Insurance Transaction Tax. This dilemma must be resolved.

Fees and Stamp Tax Law of franchise operations across the state

Franchise agreements, both domestically as well as internationally are signed in, depending on Law No. 488 (1) are subject to stamp duty by a numbered table. Likewise franchise agreements are subject to the Foreign Investment General Directorate that there is No 492 subject to registration by the notary and registration fees in accordance with the Law on Fees. In this respect, during the performance of necessary procedures required to be paid stamp duty and fees.

### **3.7.1.8. What is the status of the Face Value Added Tax franchise operation?**

In 1984 and the Value Added Tax Act 3065 does not have any provisions relating to the franchise. However, the said Law Article 1 (f), "Income Tax Law, property and leasing transactions referred to in 70, rights may" be subjected to the VAT provision.

And article 28 of the Value Added Tax Law 92/3896 issued by Council of Ministers dated 12.22.1992 and accordingly the date the standard rate of VAT is determined in accordance with Land's tax rate to be applied to the franchise that process by 15%.

Which will be held in the franchising process from abroad, according to the goods and services to persons or entities benefiting from Turkey, VAT must be paid in Turkey.

Income and Corporation Taxes Act provisions related to franchising in Income Tax Law No. 193, Article 70 (5) in accordance with subparagraph, hire or provision of goods and rights may be used provided income "immovable property" as accepted.

This (5) the provisions of subparagraph trademark, trademark, trade name and is designed to cover information obtained through experience. Revenue arising from the exercise of such rights and privileges were considered immovable property.

Mentioned (5) number on "trademark, trademark, trade name use rights may be (industry, commerce and science-in of the experience acquired over a secret formula or manufacturing procedures with the information) obtained from the loan by the owners as income from" property capital gains "as described. However, the Income Tax Act 70.

In accordance with number of the substance, if included in a commercial operation rights mentioned above, the" commercial gain "as is accepted and the provisions on the determination of the profits are determined according to the procedures.

If a non-resident corporation that franchises are not considered settled in Turkey, he paid a franchise fee, state, or by commercial real estate capital gains or may gain share. In this case the Treasury of the franchise contract must be registered by the Directorate General of Foreign Investment. Otherwise, these contracts are not entered into power.

If the entry into power of the Convention on Registration via the franchise fee paid abroad Corporate Tax Law Article 24 and 30. 12. 1993 and 93/5147 dated the Council of Ministers in accordance with the Black Institutions will be required tax withholding. Here, several possibilities are as follows:

- If the franchise fee be deemed immovable, in this case the Council of Ministers No. 93/5147 Kararne 3 / B will be based on material corporate tax with deduction rate of 20%.
- Franchise agreements provided with the cost of operating rights or trademark and other similar intangible rights may sell, transfer and withholding tax rate if to be accepted as an amount received assignment shaped 93/5147 Council of Ministers dated Karan'n 10 would be 25% in accordance with paragraph.

### **3.7.2. Proposed development proposals for franchising system in Turkey:**

Regarding franchising system to be useful in providing incentives in Turkey

- Investment discount
- Exemption from taxes on imports
- KDV delay in investment goods
- R & D, promotion, patent, trademark, contributed to consultancy costs
- Long-term, low-interest loans and leasing to provide
- Support for collateral for loans

What are organizations related to the world of franchising system?

Only one association has been established in every country of the franchise. 1995 at the end of each of the 36 countries are operating a single franchise association.

These countries are: Germany, the United States, Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Czechoslovakia, China, Denmark, Indonesia, Finland, France, South Africa, the Netherlands, Hong Kong, Ireland, Spain, Israel, Sweden, Switzerland, Italy, Japan, Canada, Hungary, Malaysia, Mexico, Norway, Poland, Portugal, Romania, Singapore, Greece. These are in addition to the European Franchise Federation.

The oldest of the international organizations about franchising IFA (International Franchise Association) was founded in the USA. Outside America who are members of more than 800 franchise companies. Associations in all countries, is a sister association between status at IFA in UFRAD thereof. The top provider of franchise associations in Europe (EFF) is the European Franchise Federation.

UFRAD members of the Cabinet may be increased allowing the land, has applied for membership, the process is still ongoing. Be a member of only one association in each country, the franchise has installed a number of functions of the association. Some of the services to be expected from the state undertook these associations.

For example, the European Franchise Federation, "Honest Franchise countries" have brought the practice to a certain standard and it obliges its members to comply.

Associations in the United States and Canada have brought similar principles for its members. In place of the collection of information and statistics about the franchise it is once again the association. Researchers and studies and informations are obtained from the information society. Associations also play a leading role in organizing the exhibition.

### **3.7.3. Organizations that can provide information about the franchise:**

#### **3.7.3.1. National Franchising Association (UFRAD):**

Turkey has UFRAD association for the solution of problems related to the franchising system. "UFRAD Franchising Association, in Turkey is the development of the franchise system in a healthy way for settlement and execution which aims to provide confidence in the system and it was established in 1991 (Nart, 2005).

UFRAD 's goal of the franchises in Turkey is to ensure the correct manner in the way that healthy learning develops, to determine the basic rules and to ensure implementation, to find its place in the Turkish legal system and perform the work they needed to foster trust in the system and to generate resources for the development of the system .

UFRAD committed to comply with members UFRAD's has conceded in 1995. "Honesty and Openness " . Integrity Principles are a voluntary basic principles of the European state that the franchise adopted. The openness of the US According to the currently applicable law also defines the information package which will be given to those who want to franchise. Members of UFRAD about 'a coming complaints by evaluating, to incorrect application of the member firms is increased up until the end of the name from the list. So in a sense, "White List" is performed. In this list

Investors brings advantage to firms accredited to, those not included in the list are encouraged to apply the same principles, protecting investors.

UFRAD in our country is working for the franchising system to remain credible. To remedy the deficiencies in the application of the legislation followed abroad, There are initiatives to promote franchising and this needs good and also public authorities.

In Turkey, UFRAD doesn't have franchise chains. Some of these franchise UFRAD for the time being they are not 'a member not possible, it is basvurmamis for a portion of membership, have been removed from membership for reasons other in various part.

UFRAD aim to learn franchising in Turkey correctly and to ensure the development in a healthy way, to determine the basic rules and ensure the implementation, to find its place in the Turkish legal system and to perform the work necessary to foster trust in the system and to create sources of information for the development of the system .

Available in various operations to perform UFRAD purpose. Some of which directed to its members, a portion is for other people and organizations on the issue. UFRAD, collects information necessary for members and transmits them. And once a month the members, as well as other relevant bodies published and send to the press about UFRAD Bulletin. Members of the monthly meeting committee tried to find solutions to common problems and transfer their experience to each other. It advises those who want to franchise.

Everything about the franchise with the help of relevant experts provided. The library created in the headquarters of the Association, can benefit anyone who wants to learn about the franchise. According to the franchisee adaylann areas of interest are helping to establish a link with relevant organizations domestically and abroad. UFRAD is trying to improve its relations with the state.

Credit and incentives are being investigated. Therefore, it is made in talks with financial institutions. Franchising the country's economy UFRAD knows that contribute in every respect, the International Franchise Association (IFA) and the European Franchise Federation (EFF) of the as well as other countries continue their relationship with the franchise units <http://www.ufrad.org.tr/tr/10sorudafranchise.asp>).

### **3.7.3.2. UFRAD Memberships:**

So there are two types of membership, including the principal and honorary. To become a member, we need to give advice the of the two members. If Turkey is taken to a foreign law chain, the parent company of the members is sufficient for acceptance of being a member of her country's representative of the franchise Association. If a company gives domestic or foreign franchise, it is expected to be a members of the two franchise association.

Before the franchise is taken the membership application is accepted or rejected by looking at franchising practices or not representative of a chain then. Examples of suitable applicants who want to become members of the association by filling in the form data.

However, in the international arena UFRAD World Franchise Association (WFF) and the European Franchise Federation (EFF) is a member.

#### **3.7.3.3. UFRAD 's Activities:**

It opens permanent sources of information to the public. Organizing training seminars on study and the Chamber of Commerce in Anatolian cities. The training and seminar center is located in the headquarters of the franchise Association area, the franchise company managers organizes seminars for entrepreneurs at least twice each month. Franchising companies are organizing roundtables seminars supporting the franchising sector on the subject on television programs and organizations.

Every year in October, your talented 'is supporting the exhibition held in franchising. You have to reach two thousand every month publishes a monthly newsletter and franchise free dealing. Advisory Board examines the franchise disputes through international franchise in accordance with Turkish law and principles. Turkey Franchise Magazine 'to support them.

#### **3.7.3.4. UFRAD franchise information package:**

1- Franchise Owner Information on: full name of the franchisor parent company's or Turkey's representative, address, status (Anonymous, Limited Partnership or truth) and activity is when the company bought and sold the naming rights to the franchise system is specified.

2- franchisor Manager and Board Member of the names and job experience: Enterprise responsible (General Manager, Assistant General Managers, financial and Marketing-Education-Business the franchise relations department managers) work experience covering the past five years, where they study, subject, the employer information regarding the identity is given. If the company is using a franchise broker or representative of the region, it should be given the information related to this party.

3. Case Records: All legal proceedings or franchisee side in the last decade that the persons referred to in Article 2 are indicated in this section.

4- Concordat or history of bankruptcy: Franchisor 's or managers (CEO, Executive Vice Presidents and Board Members) bankruptcy and composition with creditors indicated they lived the last 15 years.

5. Definition of Franchise System: Franchisor product, the sector it is in, and the market should be understood in a concrete way.

6. Franchise Area's first investment: Franchisor franchisee's franchise right to receive and the amount of necessary investments to establish to businesses, payment form and time, should explain the refundable portion of the investment. In addition, the recommended operating capital are also outlined in this section. Each franchisee from the same amount taken revoked the franchise fee, must be disclosed methods and formulas used to determine the fee is not received. Franchisor took part for what purpose the money should be reported kullandırım in general.

7. Recurring Payments: Franchisor 'to be paid all periodic payments must be indicated. These leasing, royalty, advertising fund, are paid as rent.

8- or specific features within the specified Akyşveris Obligations of Approved Source: Franchisor, Franchisee 'ye which vendors to use for what purpose and with these vendors should clearly indicate the availability of a job when there is no relationship itself. Franchisor, franchisee's purchase, rental or lease of all necessary equipment, inventory, signage, and other services and the list of ingredients must be explained with the property and must be applied to them.

9. Financing Package: Franchisor, Franchisee saglayacag or agent of the financing would be in this section describes all the help with the details.

10. Franchisor 'franchise' versus Responsibilities: Franchisor franchisee 'eating and after going to do all the pre-opening assistance, saglayacag services and responsibilities are concretely described in this section. I'm training to be given, the duration of training, and assistance should be made will be displayed on site selection.



11- and sales restrictions and prohibitions applied Protected Area: Franchisee's sales and selling of products and services can do for the geographical definition of the region is made in this section. A description of all restrictions imposed should be. Franchisee 'ye had a sales volume is necessary for the protection of the region must be specified in advance.

12. All registered trademarks, logos, symbols and names Information on: Proprietary All trademarks, logos, symbols, names and all related information in this section should be given to the franchisee. If a problem is disclosed in any respect.

13. Patent and Copyright: All registered patent and copyright 's franchisee in this section with relevant information' should be eating.

15. Franchise Treaty annulment, Modification, Transfer, Re-Purchase of Extension: These kinds of cases franchisee's and franchisor 'must do's, rights and responsibilities should be disclosed.

16. Statistic Information: Franchisor franchisee 's business must report how many belonged to himself. Franchise given but not yet opened should be reported that the number of enterprises and aiming to sell the franchise over the next few year.

How many in the last 3 years you are dissolution of the agreement, which must be reported renewed or altered.

17. Being in Celebrity Online: If there is a famous person recognized by the society If an activity related to the franchise system should be described on the type and shape.

Give it about 18 Franchise Financial Information: annual balance sheet and paid taxes of franchisees' ye must be given in this section.

19. Documents: Example franchise agreements and other examples of contracts to be signed should be given information as part of the franchise package.

20. Confirmation: is the part of the franchisee's franchise information pack that will be entered in the minutes. This section consists of a single page which is proof what you have given the franchise and franchise information pack.

### 3.8. Franchising Associations in Turkey and the World:

#### 3.8.1. The association of national franchise associations :

The World Franchise Council (WFC) is a non- political organization of more than 40 national franchise associations from around the World.

Formed in 1994, it aims to promote the growth of franchising internationally and to facilitate best practice in franchise association management among its members.

It also aims to foster and encourage the development of franchising associations in nations where such an association does not currently exist

( <http://www.worldfranchisecouncil.net/>)

**Table 3.1:** The World Franchise Council Country Members:

Argentina	Australia	Austria	Belgium	Brazil	Britain
Canada	China	Croatia	Czech	Denmark	Ecuador
Egypt	Finland	France	Germany	Greece	Guatemala
Hong Kong	Hungary	India	Indonesia	Italy	Japan
Korea	Lebanon	Malaysia	Mexico	Morocco	Netherlands
New Zealand	Philippines	Poland	Portugal	Russia	Singapore
Slovenia	South Africa	Sweden	Switzerland	Taiwan	Turkey
USA	Venezuela				

##### 3.8.1.1. Organization History:

The WFC is a non profit, non- political association for national franchise association organized under the laws of the United Kingdom in April 26th, 2005.

The WFC's beginnings can be traced to first International Summit, sponsored by the Mexican Franchise Association December of 1993, where a draft constitution of the proposed WFC developed a task force composed of Argentina, Canada, Europe, France, Mexico, and The United States of America and in February of 1994, during the IFA's Annual Convention in Las Vegas, a group of national franchise association executives led by the IFA and European Franchise Federation unanimously decided to establish the WFC.

Following the historic Las Vegas meeting a working group led by the British Franchise Association with representatives from the Canadian, Brazil, Poland (a short lived association that existed at the time and which is unrelated to the PFO which has newly joined the EFF and WFC) and Mexican Association produced a more detailed draft of the Constitution that was ultimately adopted in June, 15, 1995 in Lisbon. The current Constitution of the WFC has been revised several times throughout the years.

The Constitution was drafted for the purpose of recognizing the WFC's most significant contributions that would come from an international understanding and cooperation. The founding members of WFC believed that a formal constitution was essential to guarantee that WFC's opinions represent a genuine harmony amongst its members and an assurance to properly constitute national franchise association that the WFC would offer and an unbiased medium for members to represent their views.

Since its inception, the WFC has achieved many milestones:

Unidroit- the WFC secured a common position on proposals for a Model Law on franchising.

Principles of Ethics- the WFC reached agreement on the principles that should be followed by franchise associations in developing their Code of Ethics.

Recognition of One Association per Country- the WFC stood by its commitment, which prompted the amalgamation of association in the Philippines and the emergence of a single recognized association in Korea.

Legislative Support- the WFC wrote to the President of Mexico making representation in relation to a proposal to enable franchises over a certain proportion to take ownership of their brand.

### **3.8.2. Turkish Franchise Association- UFRAD**

Turkish Franchise Association-UFRAD is the first and only representative of franchising sector in our country. Established in 1991, UFRAD-Turkish Franchising Association's main purpose is to enhance trust relations in the franchising system while improving and enlarging the sector. Today, as one of the oldest and strongest franchising associations in the world, UFRAD has more than 100 internationally recognized firms under its roof.

Their other important contributions to the national economy is increasing the management quality levels of production, increasing the demand for quality products, and creating employment opportunities.

UFRAD-Turkish Franchising Association puts great effort in educating its investors about the franchising system by providing knowledge and information of the legal, cultural, and financial matters to help companies to constitute collaborations in Turkish market and international platforms as well.

Because of its contributions to the franchising field, UFRAD is made a member of World Franchising Council (WFC) and Policy Board member of European Franchising Federation (EFF). UFRAD is the Chairman of the Board of Directors of Black Sea Franchise Federation-BSFF, Founding member of Foreign Economic Relations Council-DEIK and member of Vienna Economic Forum-VEF. Through TV programs that is televised every week for more than 3 years and other media channels, UFRAD is the biggest informant for the public about franchising industry. Our association also provides certificate programs through Franchising Academy of UFRAD with collaborations of Istanbul Aydin University for entrepreneurs to enter the sector with updated knowledge about franchising system.

### **3.8.3. Franchise Associations in the World:**

The Franchising sector that UFRAD Franchising Association has been representing solely since 1991 in our country has been recognized by countless country associations and governments.

As UFRAD, we have been involved in such organization actively for many years and share our year's long experiences and projects with the world.

When we look at these global organizations;

European Franchise Federation-EFF was established in 1972 in order to bring all the European Franchise Associations under one roof. The aim of the Federation is first and foremost to enforce the proper application and use of Franchise system. EFF helps franchising sector to act according to legal and ethical rules. The main Office of EFF is at Brussels. EFF also represents Franchising sector of Europe at the EU Parliament.

EFF has set up a series of rules called 'Principles of Honesty' which is also adopted by UFRAD as well. EFF members are EU members or EU member candidates. Although they work together with EU Parliament, they are an independent non-governmental organization (NGO).

EFF is the only representative Franchising sector in Europe in terms of political, economical, and cultural aspects. The statute and regulations must be complied by all of its members including UFRAD.

UFRAD is the Vice Chairman of EFF and continues to play an active role within EFF.

The biggest NGO in the world that bring all the Franchising sector together is World Franchise Council –WFC. Among its members are Argentina, Australia, Austria, Belgium, Hong Kong, Italy, Japan, Malaysia, Canada, Denmark, France, England, Sweden, Brazil, USA, and EFF. WFC was established in 1994 and UFRAD has been a member since 2004.

World Franchise Council is established in order to bring all the Franchise associations in the world together to share experiences, good practices and problems. UFRAD acted as the Chairman in 2012 and host the WFC 2012 meeting in Istanbul. The meeting allowed our national franchising system to be observed by the global players by first hand.

Black Sea Franchise Federation-BSFF was established by UFRAD in order to bring regional Franchise associations together. The close synergy created by the regional franchising representative help develop the economy along with franchising and allow countries to share experience and good practices.

UFRAD acts as the Chairman of BSFF. Among the supporters and members of BSFF are BSEC, Romania, Ukraine, Bulgaria, Russia, Georgia, Kosovo, and Moldova.

UFRAD plays an active role to develop the Franchising system in our region and enforce related rules and regulations of franchising system within BSFF members. As UFRAD, we know that our brand names have to expanded overseas and achieved the success they deserve. We will keep on working extensively to support them and be involved in global organizations so that our Franchising system will have its rightful place in the global markets.

## **4. APPLICATION**

### **4.1. Methods Used In The Research:**

#### **4.1.1. Methodology of the Research:**

Survey method is used in order to collect data in a reliable way and to conduct statistical analysis to UFRAD member's franchisors. Literature review is conducted to develop the survey questionnaire and to determine motivating factors.

Motivating factors of franchisees to purchase franchises were organized using five-level Likert item. Survey items were organized on a fundamental factors level in order to obtain actual thoughts of the participants who are the members of UFRAD. Survey questionnaire was distributed to 15 franchisors, all UFRAD members, and their franchisees, all entrepreneurs, a total of 140 individuals via email, phone and one on one basis and answers were obtained. Before the survey was conducted, an extensive information was given to the participants.

#### **4.1.2. The Universe of the Research:**

The research conducted was aimed at UFRAD Franchising Association members. The survey provided the members of UFRAD, franchisors and their franchisees, to develop in sociocultural aspects and pertain franchising.

Franchisors and their franchisees in Turkey were determined through UFRAD Franchising Association's catalogs and brochures. The main population of the research is made up of franchisors and their franchisees.

#### **4.1.3. The Purpose and Limitations of the Research:**

The main purpose of the research is to determine and study the factors motivating franchisees to purchase a franchise and make suggestions to franchisors in order for them to succeed.

Theoretically there are many factors that motivate franchisees to do business in franchising system. Whether the factors that motivate the businesses within the same field are the same was one of the subject studied in this research.

The answer to the following question was researched during the study:

“Do benefits received by UFRAD members in different sectors differ?”

The following hypotheses were created in line with the research question determined during thesis study:

$H_1$ : Benefits gained by UFRAD members in food industry differ from members in different sectors.

$H_{1.1}$ : *Benefits gained by UFRAD members in food industry differ in terms of education from the members in different sectors.*

$H_{1.2}$ : *Benefits gained by UFRAD members in food industry differ in terms of adaptation from the members in different sectors.*

$H_{1.3}$ : *Benefits gained by UFRAD members in food industry differ in terms of profitability from the members in different sectors.*

$H_{1.4}$ : *Benefits gained by UFRAD members in food industry differ in terms of location and order from the members in different sectors.*

$H_2$ : Benefits gained by UFRAD members in retail industry differ from members in different sectors.

$H_{2.1}$ : *Benefits gained by UFRAD members in retail industry differ in terms of education from the members in different sectors.*

$H_{2.2}$ : *Benefits gained by UFRAD members in retail industry differ in terms of adaptation from the members in different sectors.*

$H_{2.3}$ : *Benefits gained by UFRAD members in retail industry differ in terms of profitability from the members in different sectors.*

$H_{2.4}$ : *Benefits gained by UFRAD members in retail industry differ in terms of location and order from the members in different sectors.*

$H_3$ : Benefits gained by UFRAD members in service industry differ from members in different sectors.



*H<sub>3.1</sub>: Benefits gained by UFRAD members in service industry differ in terms of education from the members in different sectors.*

*H<sub>3.2</sub>: Benefits gained by UFRAD members in service industry differ in terms of adaptation from the members in different sectors.*

*H<sub>3.3</sub>: Benefits gained by UFRAD members in service industry differ in terms of profitability from the members in different sectors.*

*H<sub>3.4</sub>: Benefits gained by UFRAD members in service industry differ in terms of location and order from the members in different sectors.*

#### **4.1.4. Methods Used in Data Collection and Evaluation:**

SPSS 22.0 statistical program was used to evaluate the data collected. Descriptive statistics module of the program was used to demographics of the participants and the determination of their participation on Likert items.

After descriptive analysis, reliability analysis, factor analysis and one-way analysis of variance (Anova), to determine whether there are differences between the means of two or more independent variables analysis, were applied in the study.

#### **4.2. Results:**

The answers to the survey by UFRAD members, both franchisors and franchisees, were entered into SPSS 22.0. Motivating factors variables were combined in SPSS under 'motivating factors.' Demographics of the participants are as follows.

## 4.2.1 Demographic Results:

### 4.2.1.1. Results of Participants' Gender:

**Table 4.1:** Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	134	95.7	95.7	95.7
Female	6	4.3	4.3	100.0
Total	140	100.0	100.0	

Participants who accepted to participate in the research are 95.7% (134 individuals) male and 4.3 (6 individuals) female.

### 4.2.1.2. Results on Participants' Age:

**Table 4.2:** Age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 30-39	50	35.7	35.7	35.7
40-49	65	46.4	46.4	82.1
50-59	25	17.9	17.9	100.0
Total	140	100.0	100.0	

50 of the participants, who are franchisees, are between the ages of 30-39, 65 participants are between 40-49, and 25 participants are between 50-59. There are no participants under the age of 20.

#### 4.2.1.3. Results on Participants' Education:

**Table 4.3:** Education

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Undergraduate	55	39.3	39.3	39.3
Bachelors	65	53.6	53.6	92.9
Masters	10	7.1	7.1	100.0
Total	140	100.0	100.0	

65 franchisees who participated in the research have bachelors degree, 55 participants have undergraduate degree and 10 have masters degree.

#### 4.2.1.4. Results on Participants' Positions at Work:

**Table 4.4:** Positions

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Owner of Business or Directors	45	32.1	32.1	32.1
General Manager	80	57.1	57.1	89.3
Restaurant Managers and Others	15	10.7	10.7	100.0
Total	140	100.0	100.0	

80 franchisees who participated in the research are general managers, 45 participants owner of the business or directors and 15 are restaurant managers. Majority of the participants are composed of business owners and directors and general managers.

#### 4.2.1.5. Results on the Participants' Type of Company?

**Table 4.5:** Type

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid International Brands	110	78.6	78.6	78.6
National Brands	30	21.4	21.4	100.0
Total	140	100.0	100.0	

110 participants who accepted to participate in the research have international brands and 30 have national brands.

#### 4.2.1.1.6. Results on the Participants' Employees :

**Table 4.6:** Number of Employees Participants Employ

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 3 Person	1	.7	.7	.7
4 Person	6	4.3	4.3	5.0
5 Person	31	22.1	22.1	27.1
6 Person	14	10.0	10.0	37.1
7 Person	16	11.4	11.4	48.6
8 Person	22	15.7	15.7	64.3
9 Person	37	26.4	26.4	90.7
10 Person	5	3.6	3.6	94.3
11 Person	5	3.6	3.6	97.9
12 Person	1	.7	.7	98.6
13 Person	1	.7	.7	99.3
14 Person	1	.7	.7	100.0
Total	140	100.0	100.0	

Participants who accepted to participate in the research have given the following information about the number of employees they have: 1 company has 3 employees, 6 companies have 4 employees, 31 companies have 5 employees, 14 companies have 6 employees, 16 companies have 7 employees, 22 companies have 8 employees, 37 companies have 9 employees, 5 companies have 10 employees, 5 companies have 11 employees, 1 company has 12 employees, 1 company has 13 employees, 1 company has 14 employees. This clearly indicates that all the companies surveyed are Small and Medium Sized Enterprises.

#### 4.2.2. Internal Consistency Analysis Results:

Cronbach's Alpha computed through internal consistency analysis has the following values: First item has the Cronbach's Alpha coefficient of 0.722, second item 0.906, third item 0.899 and fourth item 0.822 and for the four items is 0.928, suggesting that the items have relatively high internal consistency and the survey has a high level of reliability.

**Table 4.7:** Reliability Analysis Results

Variance	Cronbach's Alpha	N of Items
Education	.722	9
Adaptability	.906	5
Profitability	.899	8
Location and Order	.822	3
Toplam	.928	25

##### 4.2.2.1. Factor Analysis:

Survey questionnaire has 9 questions to scale the benefits gained from UFRAD in the field of education, 8 questions to scale profitability, 5 questions to scale adaptability and 3 questions to scale the benefits gained in location and order. Factor analysis applied through SPSS 22. Results can be found in Table 8.

**Table 4.8:** Results of the Factor Analysis

Factors	Factor Loading	Values of the Variations	Reliability Values	KMO ve Barlett's Test
Education				Kaiser-Meyer-Olkin (KMO) :0.950  Barlett:  Ort.Kikare: 50683.772 df:66 sig.: .000
E1	0.907	81.420	0.722	
E5	0.887			
E6	0.871			
E7	0.852			
E9	0.847			
E10	0.875			
E11	0.845			
E12	0.852			
E13	0.711			
Adaptability				
A14	0.828	88.763	0.906	
A16	0.827			
A17	0.833			
A20	0.820			
A25	0.800			
Profitability				
P8	0.859	82.654	0.899	
P15	0.862			
P18	0.867			
P19	0.876			
P21	0.859			
P22	0.846			
P23	0.843			
P24	0.834			
Location and Order				
LO2	0.873	84.227	0.822	
LO3	0.892			
LO4	0.874			

Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy to assess the adequacy of their correlation matrices for factor analysis. KMO value on Table 8 is 0.950. KMO values higher than 0.8 indicate the data is appropriate for factor analysis. Factor analysis reveals that factors are weighted on four different groups.

#### 4.2.3. Results of the Anova Analysis:

Welch Test is used to test homogeneity of variance in one-way analysis of variance (ANOVA) analysis and variances are tested to be homogeneous. Post hoc tests whether we have an overall difference between our groups and which specific groups differ. One of the post hoc tests is Scheffé test if data meet the assumption of homogeneity of variances. At the following table, participants' positive attitude towards advertising can be found and variables used in the study are important for each of the differences in cross-sectors.

**Table 4.9:** The Results of Anova Analysis

		Sum of Squares	df	Mean Square	F	Sig.
Location and Order Average	Between Groups	4.822	2	2.411	13.512	.000
	Within Groups	24.444	137	.178		
	Total	29.266	139			
Education Average	Between Groups	3.403	2	1.702	24.634	.000
	Within Groups	9.463	137	.069		
	Total	12.866	139			
Adaptability Average	Between Groups	28.587	2	14.293	133.761	.000
	Within Groups	14.639	137	.107		
	Total	43.226	139			
Profitability Average	Between Groups	37.379	2	18.690	164.204	.000
	Within Groups	15.593	137	.114		
	Total	52.973	139			

The following table shows the findings and comparisons of both Scheffé test when the variations are homogeneous and Tamhane test when the variations are not homogeneous. Scheffé post hoc pairwise comparisons are used when there is a difference between more than two groups' means. Scheffé is the most used multiple comparison test after F test.

Scheffe test is used to compare all possible linear combinations. The method is the most conservative because it keeps the error rate  $\alpha$  under control, and the most flexible post hoc procedure and it doesn't take into account the hypothesis that observation numbers are equal. In analysis table, sectors are grouped under (1) Food, (2) Retail and (3) Service.

**Table 4.10:** Multiple Comparisons

Dependent Variable		(I)	(J)	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Location and Order Averager	Scheffe	1	2	-.42429*	.08706	.000	-.6398	-.2088
			3	-.29466*	.08706	.004	-.5101	-.0792
		2	1	.42429*	.08706	.000	.2088	.6398
			3	.12963	.09956	.431	-.1168	.3760
		3	1	.29466*	.08706	.004	.0792	.5101
	2	-.12963	.09956	.431	-.3760	.1168		
	Tamhane	1	2	-.42429*	.09048	.000	-.6451	-.2035
			3	-.29466*	.07773	.001	-.4836	-.1057
		2	1	.42429*	.09048	.000	.2035	.6451
			3	.12963	.08848	.381	-.0872	.3465
3		1	.29466*	.07773	.001	.1057	.4836	
2	-.12963	.08848	.381	-.3465	.0872			
Education Average	Scheffe	1	2	-.27977*	.05417	.000	-.4138	-.1457
			3	-.33842*	.05417	.000	-.4725	-.2044
		2	1	.27977*	.05417	.000	.1457	.4138
			3	-.05864	.06195	.640	-.2119	.0947
		3	1	.33842*	.05417	.000	.2044	.4725
	2	.05864	.06195	.640	-.0947	.2119		
	Tamhane	1	2	-.27977*	.04623	.000	-.3928	-.1668
			3	-.33842*	.04539	.000	-.4495	-.2273
		2	1	.27977*	.04623	.000	.1668	.3928
			3	-.05864*	.00983	.000	-.0831	-.0342
3		1	.33842*	.04539	.000	.2273	.4495	
2	.05864*	.00983	.000	.0342	.0831			



**Table 4.10: Multiple Comparisons (Continued)**

Dependent Variable		(I) V1	(J) V1	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Adaptability Average	Scheffe	1	2	-.66961*	.06738	.000	-.8363	-.5029
			3	-1.05294*	.06738	.000	-1.2197	-.8862
		2	1	.66961*	.06738	.000	.5029	.8363
			3	-.38333*	.07705	.000	-.5740	-.1927
		3	1	1.05294*	.06738	.000	.8862	1.2197
			2	.38333*	.07705	.000	.1927	.5740
	Tamhane	1	2	-.66961*	.06547	.000	-.8286	-.5107
			3	-1.05294*	.05294	.000	-1.1826	-.9233
		2	1	.66961*	.06547	.000	.5107	.8286
			3	-.38333*	.03852	.000	-.4799	-.2867
		3	1	1.05294*	.05294	.000	.9233	1.1826
			2	.38333*	.03852	.000	.2867	.4799
Profitability Average	Scheffe	1	2	-1.00347*	.06954	.000	-1.1756	-.8314
			3	-1.06250*	.06954	.000	-1.2346	-.8904
		2	1	1.00347*	.06954	.000	.8314	1.1756
			3	-.05903	.07952	.760	-.2558	.1378
		3	1	1.06250*	.06954	.000	.8904	1.2346
			2	.05903	.07952	.760	-.1378	.2558
	Tamhane	1	2	-1.00347*	.05919	.000	-1.1482	-.8588
			3	-1.06250*	.05824	.000	-1.2051	-.9199
		2	1	1.00347*	.05919	.000	.8588	1.1482
			3	-.05903*	.01055	.000	-.0855	-.0326
		3	1	1.06250*	.05824	.000	.9199	1.2051
			2	.05903*	.01055	.000	.0326	.0855

The mean difference is significant at the 0.05 level.

The main purpose of the research is to analyze the variables of different sectors.

Therefore, the differences in each sector for each variable are analyzed one by one.

**Table 4.11:** Analysis of the difference in Location and Settings

	V1	N	Subset for alpha = 0.05	
			1	2
Scheffe <sup>a,b</sup>	1 Food	68	3.7794	
	3 Service	36		4.0741
	2 Retail	36		4.2037
	Sig.		1.000	.369

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 42.698.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Above table shows the differences between each sectors namely food, retail and service sectors in terms of benefits gained from UFRAD about location and settings. This result confirms H1.4. H2.4 and H3.4. weren't confirmed since there were no differences in retail and service sectors.

**Table 4.12:** Adaptability Average

	V1	N	Subset for alpha = 0.05		
			1	2	3
Scheffe <sup>a,b</sup>	1	68	3.9471		
	2	36		4.6167	
	3	36			5.0000
	Sig.		1.000	1.000	1.000

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 42.698.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Above table shows the differences between each sectors namely food, retail and service sectors in terms of benefits gained from UFRAD about adaptability. This confirms H2.2 and H3.2.

**Table 4.13: Profitability Average**

	V1	N	Subset for alpha = 0.05	
			1	2
Scheffe <sup>a,b</sup>	1	68	3.8125	
	2	36		4.8160
	3	36		4.8750
	Sig.		1.000	.722

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 42.698.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Above table shows the differences between each sectors namely food, retail and service sectors in terms of benefits gained from UFRAD about profitability. This confirms H1.3 and doesn't confirm H2.3. and H3.3.

**Table 4.14: Education Average**

	V1	N	Subset for alpha = 0.05	
			1	2
Scheffe <sup>a,b</sup>	1	68	4.4363	
	2	36		4.7160
	3	36		4.7747
	Sig.		1.000	.589

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 42.698.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Above table shows the differences between each sectors namely food, retail and service sectors in terms of benefits gained from UFRAD. The reason for the difference is that franchisees get training from franchisors and UFRAD in order to establish their businesses and for self improvements.

The main thing seen in this variable, like in location selection variable, is the structuring effect, which is reflected in contracts about education, by franchisors on franchisees. H1.1. is confirmed but H2.1. and H3.1. are not verified.

## **5. CONCLUSIONS AND ASSESSMENT**

Franchising system has been spreading for the last twenty three years in our country. Franchisors and franchisees have different approaches to franchise business and meet at a common denominator and collaborate. Another feature that makes the franchise system easier is based on the idea of doing business without risk.

Franchising system also offers competitive advantage such as promotional benefits and advantages and advertising. It also makes important contribution to the national economy and offers quality and affordable goods and services.

Consumers also tend to move towards franchises with the expectation of quality and affordable goods and services.

From the entrepreneurs' point of view, factors moving franchisees towards franchising system are the factors that move them open their own businesses. In terms of the franchise business, the factors moving them towards opening businesses in national and international markets are the same factors that motivate them to become a member of UFRAD Franchising Association.

This Study was conducted to analyze the factors that motivates Franchisees, Franchisors to franchise system and to become a member of UFRAD Franchising Association. According to the literature review conducted, the factors are branding and promotion, publicity, making use of marketing methods, design features, service delivery quality, technology, advertising advantage, distribution advantage, competition, profit and profitability, support, system, friendly supply chains, elimination of establishment risks, national and international growth and development.

This result in today's global world that branding, advertisement are important competitive factors. Therefore businesses and entrepreneurs in our country should carefully analyze those factors. As a result of this analysis policy makers should consider those factors and make policies on branding.

Branding businesses increase their market share at home and abroad in the future hence add value to national economy.

As a result of the research, it is seen that food sector which is more institutionalized differ from other sectors in terms of location, education and profitability. The reason that adaptability differs for each sector can be seen at the results of the research.

The thesis study is the first study on emphasizing the importance of associations in franchising.

As as result of thesis study, institutionalization that is seen in food sector is a necessity for other sectors.

The research results can be used UFRAD to give right advisements in this regard.

The research in question, has put a new perspective to franchising.

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# FORM OF THE ETHICS COMMITTEE APPROVAL

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Konu : Etik Kurul Onay

19/02/2016

Sayın Gökçe ARICI

Düstürlük Y1212.150025 numaralı İşletme İngilizce Ana Dilini Dahi İşletme Yönetimi İngilizce tezi yüksek lisans programı öğrencilerinden Gökçe ARICI'ya "THE EFFECT OF ASSOCIATIONS ON MAKING THE DECISION TO FRANCHISE IN TURKEY" adlı tez çalışması gereği "Franchise Verenlerin Memnuniyet Anketi", "Franchise Alanların Memnuniyet Anketi" ile ilgili anketi 18.01.2016 tarih ve 2015/01 İstanbul Aydın Üniversitesi Etik Komisyon Kararı ile etik olarak uygun olduğuna karar verilmiştir.

Bilginizi rica ederim.

Prof. Dr. Zeynep GÜLEK  
Müdür

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## **SURVEY QUESTIONS**

### **DEMOGRAPHIC QUESTIONS**

❖ Gender?

Female     Male

❖ Age?

20-29     30-39     40-49     50-59     60 and high

❖ Education?

High School     Undergraduate     Lisans     Lisansüstü

❖ Positions ?

Owner of Business & Directors     General Manager     Restaurant Managers

Others .....

❖ Type of Company?

International Brand     National Brand

❖ Number of Employees? .....

- ❖ To specify the first level of quality and continuous support services provided by that franchisor.

NUMBER	QUESTIONS	1 =Very Low	2= Low	3=Medium	4= High	5=Very High
1	Did the franchisor provide necessary support in training?					
2	Did the franchisor help with finding a place?					
3	Franchisor helped with store/workplace design.					
4	Franchisor helped with purchasing necessary equipments.					
5	Franchisor helped with financing the business.					
6	Franchisor helped with operating activities (manufacturing, human resources, sales, maintenance, repair)					
7	Franchisor provided continuing education (Periodic seminars, conferences, panels)					
8	Franchisor helped with the purchase of semi-finished products.					
9	Franchisor provided support for regional marketing promotion.					
10	Franchisor provided support for hardware and software in accounting services.					
11	Is the franchisor taking education of your employees seriously?					
12	Franchisor helps with services in taking orders.					
13	Does franchisor provide consultancy services?					
14	Is there an easy access to franchise consultant being provided?					
15	Does franchisor value efficiency (performance)?					
16	Does the franchisor representative go for field visits?					
17	Is it easy to communicate with the Franchisor?					
18	Are you satisfied with the business volume of the Franchisor?					
19	Is franchisor's purchase of variety satisfying?					
20	Are you satisfied with the franchise agreement signed?					
21	Is the sales prices set by the franchisor appropriate?					
22	I can afford the franchise fee.					
23	I see the benefit of ready-made business concept.					
24	The cost of raw materials provided by the franchisor or a supplier of his suggestion is affordable.					
25	I have been working Franchisor with no problems.					

## RESUME

Name : Gökçe ARICI

Email: garici85@gmail.com

Date of Birth: 1 th July 1985

Barış Mah. Ali Çebi Cad. 36. Sok. Pınar Apt. No :36 D: 22

Beylikdüzü-İstanbul (Turkey)

Phone: +90212-503-06-14

Cell Phone: +90539 769 27 20



### Education and Qualifications:

**2012- Continue**                      **Istanbul Aydın University/ Master Program (Thesis)**

Master of Business Administration (English)

Master Thesis: The Effect of Associations on Making the  
Decisions to Franchise in Turkey

**2007- 2011**                              **Notenboom Business School (Holland)**

Bachelor Degree (May 2009)

**Final Project** : (What is the importance of the  
Internationalization for Dutch and Turkish Companies?)

Director : Prof. Dr. Dewanand Mahadew,

(Business School Notenboom, The Netherlands. Professor,

Dean and Member of the Board)

**2005-2007**                              **İstanbul Aydın University (İST- Turkey)**

Anadolu Bil Professional School of Higher Education  
Business Administration Association Degree

**2004-2005** İstanbul Aydın University (İST- Turkey)  
Anadolu BİL Professional School of Higher Education  
Prep School

**1999-2002** Bakırköy Trade High School (İST-Turkey)  
Accounting / Finance

**Work Experience:**

**15 October 2008 – Continue**

**13 August 2007- 30 June 2008** İstanbul Aydın University  
UFRAD (International Franchising Association)  
Turkish Anti-Smoking Association  
General Coordinator

Organization of meetings

General Accounting

Coordination Communication between members

Consultancy at Franchising

Organization of Expo and Seminars

Training at Franchise Academy to Entrepreneurs

**30 October 2005- 15 September 2006** Metkon Clothing Industry and Trade,  
Sales and Marketing

(Department of the Customer Representative)

Account Manager, Marketing and Sales Officer

**5 October 2004- 15 May 2005** EK-Bil Holding (İst-Turkey)  
Asistant to Financial Manager

Accounting Department

Organization of Customer's Bills  
General Accounting  
Using Office Tools and Equipment  
Public Relations

**2 Febr.2003- 1 February 2004**

Çebi Accounting (İST-Turkey)

Assistant to the Accountant

Checking of Customer's Accounts  
Pursuing the Bill Periods of Customer  
Pursuing the Insurance of the Employees

**2 Febr.2002- 1 Febr. 2003**

Koç Alliance Agent

Asistant to Insurer

Customer Relationship  
Pursuing the Bill Periods of Customer  
Coordination and Communication between members

**10 Nov.2001-15 June 2002**

Bahçelievler Municipality (İst-Turkey)

Job Training

Trainee-Permission Leaders Department  
Using Office Tools and Equipment  
Customer Relationship

**Specialised Skills & Computer Skills:**

Proficient in Word, Excel, Access PowerPoint, Internet and email  
SPSS Programing

**Languages:**


- Turkish
- English (Treshold & Upper Intermediate after that I take Advance )
- German (Beginning)

**Course, Seminar and Certificates:**

<b>5-6 April 2006</b>	IEEE Technology Career Days Anadolu Bil Meslek Yüksek Okulu
<b>28-30 March 2006</b>	Economy Summit 2006 İstanbul University Economy Club
<b>2006-2007</b>	ABMYO High Honour Student Certificate (4 times)
<b>2005</b>	ABMYO Threshold Certificate
<b>15.07.2002- 30.09.2002</b>	Computer Skills Certificate Biem Accounting Course with Computer (M.E.B)

**References:**

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