



## FRANCHISING AND ITS ROLE IN THE ECONOMY OF UZBEKISTAN

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### ABSTRACT

*The article is devoted to the study of the franchising market in Uzbekistan at this stage of economic development and its further development prospects as a form of conducting foreign economic activity. The analysis of the franchise market of foreign countries is carried out. The process of franchising development entails the rapid development of small and medium-sized businesses in the country, the formation of franchising business, the promotion of fair competition, an increase in consumer demand for quality goods and the ability to predict consumer behavior of the population. All these areas are an integral part of the country's economy, so the study of such a problem is considered relevant today.*

Franchising is a relatively new phenomenon for the economy of Uzbekistan today; while in developed countries, it has been practiced for centuries as a means of meeting the needs of society in various services.

In the conditions of a centralized economy, the trademark and the provision of a trade mark were not practiced, because there was no competition among manufacturers of goods and services. But, despite this, the similarity of the trademark existed in the 80s, for example, Uzbeks preferred confectionery «Urtak», which for many years became the flagship of Tashkent confectioners, or the textile factory «Yulduz» and others.

The franchise system has been used for a long time in various countries of the world. According to the World Franchising Council (WFC), the number of enterprises using franchising is approaching 1.5 million.

Franchising (translated from English means privilege, right) is a system of transfer or sale of licenses for technology and trademark. The essence of franchising is that a firm (franchisor) with a high image in the market transfers, under certain conditions, to a firm (franchisee) unknown to consumers, the right, i.e. a license (franchise) to operate using its technology and under its trade mark, having received a certain compensation (income) for this.



Currently, global franchising is a promising investment strategy, especially for the development of the restaurant business. All over the world, the opening of restaurant chains is practiced according to the franchising system. A good example of such a system is one of the largest fast food restaurant chains Subway, which occupies the highest positions in the global restaurant market.

Some large industries - food (food industry), electronics, as well as the automotive industry, have demonstrated rapid growth due to franchising. International franchising allows firms to enter countries by introducing a product through franchising companies

Franchising is closely connected with industrial property, the exclusive right to reproduce new technological solutions, which is protected in legal and economic-financial terms by a trademark, the legal holder of which is the relevant enterprises, firms, companies. As such, they have all the rights and benefits provided by this trade mark, and bear the corresponding legal and economic responsibility.

Franchising is used by companies that have passed a certain stage of «growing up», that is, they are already clearly aware of their model, have verified their target audience, understand their product and ways to improve it, have created a working system of internal processes.

It should be noted that a franchise in Uzbekistan does not necessarily imply multiplication of foreign brands and technologies. Successful local companies that have already made a name for themselves and have implemented effective working methods are quite capable of becoming franchisors. Moreover, they can conclude agreements not only within the

country, but also abroad. In other words, franchising is an excellent tool for developing domestic branding and expanding the activities of successful local enterprises.

It should also be borne in mind that domestic franchisors have important advantages in comparison with «imported» ones on the territory of Uzbekistan: the absence of a language barrier, a single legal space, knowledge of the specifics of doing business in our country. But in order for this mechanism to work, it is necessary that local entrepreneurs realize the benefits of this form of business organization.

The main obstacle to the development of franchising in Uzbekistan is the lack of information about the franchises offered, as well as about franchising events held in various countries of the world. After all, franchising exhibitions, conferences with the participation of potential franchisee investors, seminars and other events are held annually in many countries of the world, allowing participants of the franchise system to exchange experience and acquire new useful knowledge. There are already companies in our country that are developing their trademark both in Uzbekistan and in neighboring countries, including through franchising. And, in our opinion, this is just the beginning. The domestic entrepreneur has already reached the stage of development of his own business when new, non-standard solutions for the modern world are needed. Franchising can become one of those. The economic and legal prerequisites already exist.

For success in the franchise scheme, the success of the entrepreneur himself is important. A business must assert itself; have a certain, significant market share,



stable demand for its services. The first restaurants and cafes of the BEK chain were opened in Samarkand and Tashkent. At the forefront of the entire business policy, we have put maximum and high-quality satisfaction of visitors' requests, the desire to provide an individual approach to servicing each client. Constant work on the quality of the dishes served and the service yielded results – the restaurants and cafes of the chain became more and more visited, the circle of regular customers expanded, more and more foreign tourists used the services. The registered logo has become recognizable by fans of delicious food and good service. In the process of developing and promoting services, we received numerous requests from individual owners of restaurants and cafes to assist in establishing a business. The first responses from our side were negative, because we ourselves did not yet feel the stability of our approach.

The most common types of franchising in Uzbekistan are trade and service. In terms of their level of influence on the economy, these are micro and small businesses. As a rule, these two types begin to develop actively in the new economic environment. They are somewhat simpler, easier and clearer to perceive.

Companies planning to develop a franchise can expect more demand. For clarity, I will list specific types: grocery and non-grocery retail, restaurant, cafe, fast food, bakery, beauty salons, real estate agencies, dry cleaners, schools, kindergartens, fitness centers, car washes and so on.

In addition, industrial and agricultural ones have always been in demand, since they already belong to the category of medium and large businesses.

However, their creation requires significant resources, and the purchase will not be a cheap investment. But they can provide both sides with high profitability for many years.

I believe that franchising is a real tool for systematization, improvement and development. With a properly designed franchise, both sides get many times more benefits from collaboration than when doing business independently.

In this way, the first party can quickly gain market share without significant investments, increase revenues, and expand in remote areas.

Buyers will also have the opportunity to choose a new niche, save resources, support from an experienced partner, availability of innovations and new technologies, risk diversification and much more.

Here you need to understand that, despite the relevance, benefits and advantages, there are the following risks:

- \* inconsistency of the product with the interests of the market;
- \* inefficient development of the territory;
- \* lack of experience in managing complex networks;
- \* loss of reputation with a low-quality franchise;
- \* loss of competitive advantages in case of loss of franchisees;
- \* mixing of corporate identity.



Entrepreneurs of Uzbekistan, as in any country in the world, can use this system regardless of the scope and scale of business. The key factor influencing the company's readiness to scale is the "stuffing" of the company. In other words, the level of consistency.

This type of "business" is least affected by so-called force majeure circumstances, such as the worldwide COVID-19 pandemic.

Franchising is available to everyone without exception, but entrepreneurs should understand that, depending on the type of business, both the entire model and only part of the processes can be

transferred under the franchise. This solution allows you to build an effective network in complex business models.

Franchising is an opportunity for an entrepreneur to get a successful business and learn how to run it for a fee, an opportunity to start a business at a high level using an already mastered market segment. Franchising is an effective tool in the development of private entrepreneurship, increasing employment, solving social problems, increasing business transparency and increasing the tax base.

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