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FRANCHISING AS A BUSINESS CONCEPT - CHANCE FOR MANY IN SERBIA

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Summary

The development of the franchise network as an alternative solution in comparison with the traditional opening of the organizational units allows our own expansion through enganging less money and risk-sharing with local entrepreneurs who are already well familiar with its own market and its potential and had it completely checked before investing their own funds in buying a franchise.

Company „Soko Stark" in Belgrade is one of the largest companies in the confectionery industry, in the region and for more than 90 years has been a leader in the domestic market. Given the fact that the concept of franchising as a business in the last decade, has been rapidly growing in all world markets, management of Soko Stark reviewed all the advantages and disadvantages of such business concept and took all necessary actions and measures as soon as possible to come out with a new strategy of development, before creating its retail network through the system of franchising. The company with its operating has its business concept proved successful so far. In the near future it plans to expand and increase the franchise system. The company has proven that it is more successful than the competition, in the the confectionery market, where until recently dominated almost no one. Therefore, we expect that we could easily extend our franchise system both within our borders and in other markets as well as on the territory of the former republics.

Key words: *Franchising, enterprise development, entrepreneurship, food production.*

JEL: *M21, L26, P17*

Introduction

Franchising is defined as a system of cooperation and mutual business relationship between independent i.e. separate companies affiliated by the franchise agreement based on which one of them (the franchisor-franchise holder) allows to the second (user-franchise franchisee) the right to use mark (trademark or trademark), also providing support and

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services to facilitate regular exploitation, and for that certain costs in cash-equivalent franchise (Mašić, 2001).

In layman's terms, a franchise is a business association in which the successful business concept, which successfully operates in a field, clones/transplantes from its home field to another, on a "turnkey". It consists of a business package that includes: a brand or brands, the composition or the know-how, business experience, ongoing technical support, marketing and PR, training manual, goods or services. For entering the entrepreneurship, buying a franchise is a safer way to start a business your own, because it is in the interest of both parties, the franchisor and the recipient fails to work and grow. By buying a franchise the most important operation is the sale of goods and services that are immediately recognized on the market, since they already operate successfully somewhere. It is important when buying a franchise to get the necessary training and support that will contribute to their success (Alpeza, Erceg, 2006).

We will attempt in the case of the company “Soko Stark" to show the advantages of development through the franchising. In this text we will describe the business case of the company “Soko Stark". Performed was the situational analysis, which identified the problems and gave the concrete solutions to these problems.

Short history of the company “Soko Stark”[3]

Roots: In the year 1922, Daniel S. Pesmazu (Daniel S. Pechmajoue) a French officer, and a returnee from the Salonika Front founded a company for import and export "Louit" SA - in Zemun that was dealing with the importation of chocolate products. In mid-twenties Daniel Pesmazu made the first chocolate: "Stork", which was the forerunner of today's chocolate for eating and cooking "Menaz". In the year 1931, the Jewish Joint Stock Company founded the bakery "Soko". President of the Society was Holender whose name unfortunately is not recorded, nor the name of the director Fisher, also a Jew. The head master was from the famous Viennese bakery "Anker brot peckerei". Then the first steam bakery then employed a hundred workers.

Integration: In the year 1966. , the integration of the bakery "Soko" and chocolate and candy factory "Nada Stark" created biscuit factory of chocolate and candy "Soko Nada Stark", forerunner of today's modern factory. In the year 1975 a **New Factory** as it was called then was opened, at its present location in Kumodraska Street in Vozdovac where an equipment and machinery from Zemun was moved to.

Stark's present position - BU (Business Unit) sweet and salty snacks. Today with the majority ownership of "Grand Kafa", a leading manufacturer and distributor of coffee in the region and with the strategic alliance with the "Droga Kolinska", "Soko Stark" has become a part of the Atlantic Group in the year 2011 from Croatia. This synergy has enabled the creation of new markets distribution of stronger, better positioning, and placement - which is the basis for further development of "Stark" and of the Group as a whole. In the Atlantic Group "Soko Stark" operates as the bussines unit for a sweet and salty. The essence of the new organization is a division of the production programs and

[3] www.stark.rs

the sales area and the local administration and includes accelerated development of key brands. Then the "Soko Stark" operates as the separate business unit inseparable organizational units are: marketing, research and development of operational activities and retail. And in order to further improve the brands we shall together with our employees do the most importanta role and also be the inspiration for the game along with the ambitious regional players.

Product Range BU sweet and salty: Products BU consists of sweet and salty with chocolate and flour confectionery. Today a complex portfolio includes 30 brands and 120 SKJ, in the following product lines: chocolate; chocolate bars and desserts; dragee; cookies and tea biscuits; waffle; snacks (salty flips and rolls - sticks).

The focus is on brands that have for decades been known in the domestic market, such as: Smoki, Najlepse zelje, Bananica and Prima, whose portfolio expands with new products and flavors, as well as the brands that need to become leaders in their categories such as waffle and waffle program "Zlatna Polja" as an umbrella brand for tea cookies.

Essence of franchising

Franchising as a business concept in the last decade strongly developed to all world markets. The tendency of entrepreneurs is to expand their businesses and thereby create greater revenue, forcing them to think about performance strategies to appear in other markets. Looking at the business practices and practical examples, franchising is certainly one of the alternative options that contribute to the development and success. Principal advantages and disadvantages of the franchise system must be familiar with both sides, which will come in this kind of cooperation (Baillieu, 2001).

Today, worldwide twenty million people operate franchising in the 4,500 different forms of the franchise. In the U.S., 50% of the retail business is performed through franchising model, and every twelfth retail location is a franchise. In Europe during the year 2005, there were 3,700 Franchisor, at 145,000 locations. Annual turnover generated by the system of franchising was 75 billion €, and franchising chains have employed 1.3 million people.

Among the countries in transition, the first place belongs to Hungary, which has 400 franchise chains, out of which 50% were domestic. It is followed by Poland and Slovenia with 120 franchises, out of which 55.7% were domestic. In Croatia, there are 120 donors franchise, out of which 30% were domestic. The Czech Republic has 55 franchises.

The growth of franchise management of more than 10% per year in present in the countries of the former Eastern bloc with Russia, the Baltic countries, the Czech Republic, Poland and Hungary as the leaders. Regarding closest surroundings franchise is one of the ways to alleviate the trend of unemployment in transition countries, which resulted in the opening of a number of franchise chains, both foreign and domestic. In Hungary and the Czech Republic, domestic franchise is represented by about 50%, while in Croatia, about 30%. For Macedonia, Republic of Srpska, Montenegro and Bosnia and Herzegovina, there is no data. Compared to neighboring countries, Serbia is at the very bottom of the list.

Franchisor is a company that standardized and tested its business concept, is repeatable and portable and cedes it to other companies together with the brand or brands with all the details that make that specific business concept. This transfer of knowledge, experience, visual identity and brand entails payment by the franchisee (Begtić, 2003).

Franchisee is an independent legal person, but by entering the chain accepts the system of work imposed by the franchisor. Given the fact that the franchise contract is a deal between the two sides, it can contain single case different obligations of the franchisee (Begtić, 2003).

However, franchising is not applicable to all forms of entrepreneurship. Entrepreneurs must assess what their potential is and how best to use it. It is suitable especially for those entrepreneurs who want to use the knowledge and those possess the reputation on the market in terms of brand and trademarks and can take advantage of it to expand both nationally and internationally. Franchising is a business entity, as opposed to other business systems, where it offers its business partners the knowledge, business concept and other essential facts (Brown, 1996).

The International Franchise Association predicts that the franchise will soon dominate the retail market. Franchising is strongly developed in services rather than in manufacturing, and today has taken a plurality in economic sectors. This shows that franchising is often the best path for success since failure rate is very low, because larger organizations protect franchising giving them guidance and defining standards (Mendelsohn, 1995).

Franchising is very popular worldwide since franchisee obtains professional help and advice from well-known brand more easily sells goods or services, and the franchisor invests in development and marketing, instead in a new business unit. The contract will be concluded on the long term basis, and the franchisee must pay down payment application form and a monthly fee. Therefore, one should be thoroughly informed on the Franchisor and the contract to be signed (UNIDROIT, 1998).

In Serbia, the supporting infrastructure for the development of franchise business is still poorly developed, which is probably one of the reasons why there is only present in Serbia mere 20 domestic franchise chains, in contrast to neighboring Hungary, where it operates 150, or Slovenia, which has about 40 domestic franchise chains. Pioneers in franchising in Serbia are mostly people who were certain period of time abroad and there met with the franchise. Franchising is extremely developed in the countries of the West, for example in the U.S. much as 50% retail sales is conducted through franchise chains. Like all other trends imported from the West, the franchise will soon be some alternative for Serbian entrepreneurs when deciding to start a business venture or further dissemination of the proven business model (Lovrić, 2003).

Today, franchising is present in virtually all countries. Especially in the most developed economies. Franchising system supports contributes to the development of small and medium enterprises and medium business class. It helps companies to resist the demands of the market, which are affected by big strong players. Franchising is a great advantage,

compared to other forms in the process of privatization of utilities and other companies founded by local governments (Draškić, 1983).

Previous studies give us the right to look at the situation and give a solution proposal for further development of the company "Soko Stark". Expansion of the chain "Cokoladera" and discovering new marketing channels will make the company strengthen its competitive position and bring the franchise relationship in business. The main benefit for enterprise-franchisee is to enter in standardized shops with already established business while entering into the retail network of Stark shops. On the other hand, Soko Stark in this way is expanding its retail network and increasing their income without investing in retail space.

In addition to the power brands (brand) of Soko Stark proves the survey conducted by the agency Valicon that was processed for the first time measuring the strength of the brand throughout the region. Research is included in all the countries of the former Yugoslavia - Slovenia, Croatia, Bosnia Herzegovina, Serbia, Montenegro, Macedonia and Kosovo, compromising with the market of 22 million people. Research has shown that ARGETA, SMOKI and COCKTA belong among are the strongest brand consumer products.Top list of the top twenty consumer brands looks like this: 1) Coca Cola; 2) Chocolate Milka; 3) Argeta; 4) Tissues Paloma; 5) Fanta; 6) Nivea – beauty products; 7) Vegeta; 8) Cedevita; 9) Gillete razor blades; 10) **Smoki**; 11) Cockta; 12) Plazma cookies; 13) Pepsi; 14) Toillette paper Paloma; 15) Hard candy Negro; 16) Cookies Domacica; 17) Chewing gums Orbit; 18) Kiki; 19) Dorina; 20) Snickers.

These are the brands that are present throughout the region, including some that are in the local markets extremely strong (such as Barcaffé, Grand Coffee, Bananica, etc.) which are not listed on this common regional list. Top 20 brands also include newer brands, and all are listed on a long presence in all these markets. Power of the brands is calculated based on the visibility and experiences with the brand name and its use.

As can be seen from the list, Smoki takes tenth (10) position, which confirms the strength of brand of Soko Stark, that takes precedence in the confectionery industry in the former Yugoslavia, which is one of the prerequisites for entry into the franchise relationship.

All of the above enumerated unambiguously acknowledges the need and justification of scientific study of the problems of entrepreneurship through franchising.

Situational analysis

Demografic characteristics

According to the year 2002 census, Serbia has 2,521,000 households. The total population is 7,498,001. The population density is 85 inhabitants per 1 km^2. On average, one household has 2.9 persons. Birth rate in for the year 2010 was for the territory of Central Serbia -2.1, -4.3 for Vojvodina, Kosovo and Metohija 14.8. Serbia holds in total 4.706 settlements, including a total of 244 urban settlements. The largest population holds a high school diploma of 2,255,782, then 1,752,652 with basic education, then no primary education, and higher education with at least 354,610. The proportion of the total population is 43.9%. The

share of urban population in total population is 51.2% until the year 1953 was 22.0%. This only shows the tendency of migrating growing population from rural to urban areas.

Social and cultural factors

Assortment of Soko Stark is the most appealing to the population with the middle earnings or higher and the lower middle class. A quick way of life and a growing number of employed women, and the transition to the European working time, cause the occurrence of "new housewife". Working women have less time to devote to cooking and housework, because instead of making desserts are increasingly buying confectionery products, as their replacement. Also, young mothers are increasingly using ready baby food for their babies. Return to tradition and a growing respect for religious practices (fasting, Eid) has a positive effect on producers of confectionery products.

Market environment

The disintegration of Yugoslavia, UN sanctions, the NATO bombing and wars in the region have led to gross domestic product (GDP) in the late 1990s did half of that in the year 1989. In early 2001, after the political changes which occured in the year 2000, began the implementation of transition reforms which initiated the process of economic recovery and reintegration of the country into the international community. Serbia became a member of all major international organizations (WTO apart) and significantly improved its relations with the EU. However, Serbia is still the only country in the region where a Stabilisation and Association Agreement (at least from the EU) is not in force. In the previous period, particularly in the period 2004-2008 there was a high economic growth. There has been dynamic growth in GDP, which in the last four years amounted to about 6% per year. At the same time, an improvement of current economic trends, which is reflected primarily in easing inflation, industrial production, exports, increase in wages and living standards, and increasing foreign exchange reserves, foreign direct investment, and so on. However, the Serbian economy faces major challenges. Firstly, the high external deficit (which was particularly high in 2008.), a high level of unemployment (about 20%) and high public spending (significant part because untransformed enormous public sector).

Analysis of basic indicators in trade

Statistical situation of some of the main macroeconomic indicators is as follows:

Table 1. Trends in turnover in retail trade, 2000 up to 2010

Year	Milions of RSD	Milions of EUR*
2000	104.338,60	2,092.40
2001	227.293,60	3,802.20
2002	309.454,62	5,101.60
2003	367.740,60	5,646.20
2004	474.960,50	6,533.00
2005	698.854,60	8,419.90
2006	791.750,20	10,055.80
2007	1.021.342,30	12,776.50
2008	1.231.758,50	15,996.50
2009	1.130.685,40	12,157.19
2010	1.229.199,30	11,706.61

Source: Data taken from RZS, Statistical annual report 2012
* As per average EUR exchange rate for each particular year

The table shows that the trade turnover from year to year increases, which entitles us to claim that retail, is one of the highest growing sectors of the economy.

Table 2. Number of employees in retail in Serbia 2000 up to 2010

Year	Retail employees	Growth rate (%)
2000	153.119	5.3
2001	200.784	31.1
2002	239.304	19.1
2003	223.116	-6.8
2004	283.092	26.9
2005	299.248	5.7
2006	251.829	-15.8
2007	289.009	14.7
2008	288.926	-0.02
2009	301.424	4.32
2010	299.080	-0.77

Source: Data taken from RZS, Statistical annual report 2012

Concerning the number of employees in the retail trade, there is a trend of steady growth in employment, which is to say that this branch of the economy is of great importance in the recruitment of employees and which reduces unemployment as one of the most pressing problems of any economy and even ours.

Table 3. Structure of turnover in retail trade in Serbia 2000 up to 2010

Product group / Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total - retail	100	100	100	100	100	100	100	100	100	100
Food and alcoholic beverages	26.1	26.7	27.4	28.9	26.8	27	25.5	26.1	26.3	27
Tobacco	2.9	3.0	3.1	3.3	2.7	2.5	2.5	2.7	3.4	4.6
Clothing and footwear	3.0	4.0	4.2	4.4	4.3	4.6	7.3	7.2	7.1	7.1
Furniture, household appliances	4.5	4.8	4.9	4.7	7.1	6.3	5.6	5.4	5.4	5.2
Pharmaceuticals	4.2	4.8	4.3	3.7	6.1	8	10.8	10.1	12.1	13.1
Vehicles	4.5	4.9	4.8	3.9	8.2	7.6	8.6	8.4	8.1	8.2
Fuel for vehicles	20.5	20.3	24.2	30.2	21.4	20.7	14.6	14.5	14.1	13.9
Other	34.3	31.5	27.1	20.9	23.5	23.3	25.2	25.6	23.5	20.9

Source: Authors remark

The table shows that chance for developing retails of food products, and therefore the confectionery industry as one of the leading branches of the food industries.

Table 4. Shop number in Serbia from 2000 up to 2010

Year	Shops number	Growth rate
2000	82.987	7.7
2001	86.291	4
2002	95.996	11.2
2003	95.800	- 0.2
2004	103.657	8.2
2005	109.232	5.4
2006	101.910	-6.7
2007	96.660	-5.1
2008	100.233	3.7
2009	96.188	-4
2010	90.690	-5.7

Source: Data taken from RZS, Statistical annual report 2012

Regarding the number of shops, the situation is as follows: until the year 2005 the number of shops has increased steadily and over the upcoming years this trend has been stopped. The negative trend in the number of shops is primarily because of the present trend on the market where all the big players, i.e. multinational companies have destroyed small. The only chance for small business under the umbrella of large is by entering into a franchise relationship, where the business risk is minimized.

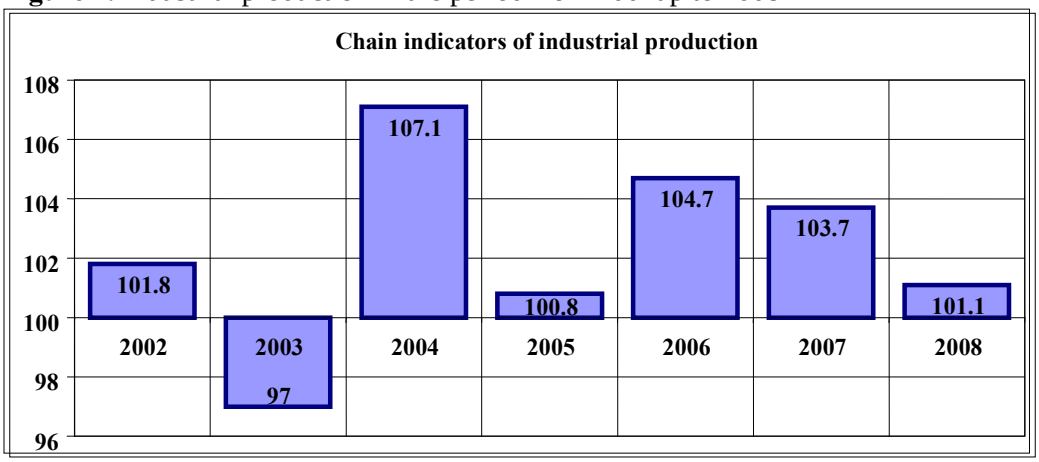
By analyzing some of the key indicators of underlying economic trends in the period of 2000 up to 2010, and trying to avoid black and white marks, it can be concluded as follows:

In the previous period, the dynamic growth of the gross domestic product (GDP), which is usually, as in other Central European countries determined by the so-called growth of tertiary sector (services), then the increase of foreign exchange, as well as strong domestic demand and investment growth. Dynamic economic growth has contributed significantly

to the high inflow of foreign capital on various grounds (loans, "greenfield" investment, portfolio investment, donations, etc.) for a total of as much as 62 billion USD. Unfortunately, the current level of GDP is still about 20% lower than in the year 1990, and GDP per capita (about 4.200 EUR) is among the lowest in the region of.

The growth of "classical" sectors of the economy - industry and agriculture was much slower than the growth of GDP (Savić et al., 2012). In doing so, it reveals significant fluctuations from year to year, but no visible progress of Agricultural production has remained primarily dependent on climatic factors. Industrial production is still lower (about 20%) in relation to the year 1990. , so it must be concluded that, globally reviewed, the processes of transition and privatization have contributed to a radical increase in the volume of production of these key parts of the real sectors of the Serbian economy.

Figure 1. Industrial production in the period from 2001up to 2008

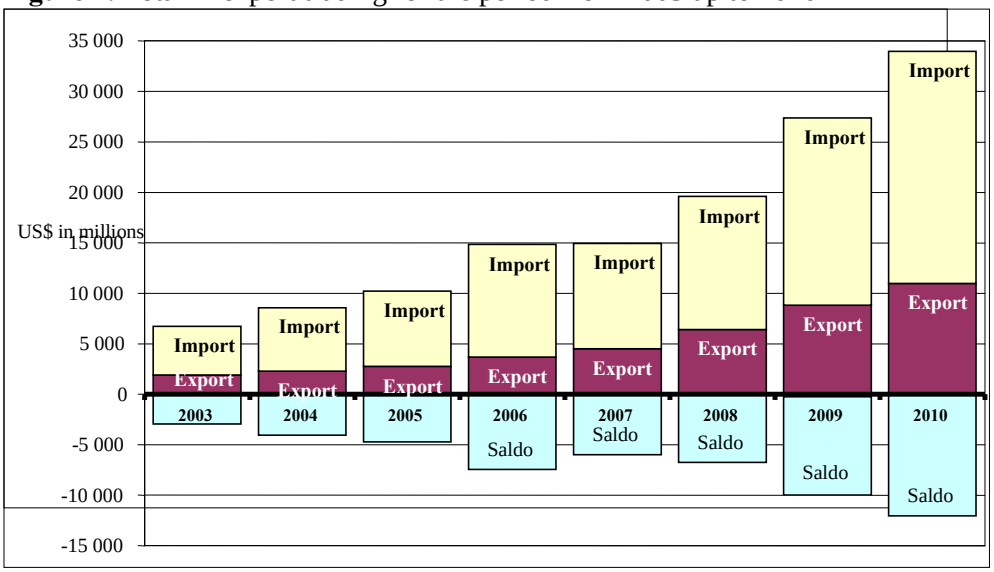


Source: Authors remark

However, in some areas, the processes of privatization and restructorning influenced the increase of competitiveness (and profitability), which had a positive impact on the growth of production and export trends (especially in the production of base metals).

During the previous period significantly has been increased volume of the foreign trade, and it has in the year 2008 amounted up to 33972,0 million USD (or many times more than in the year 2001. respectively). The growth of foreign trade is determined by strong growth in exports, but, unfortunately, primarily by the enormous increase in imports, resulting in a constant, and with each year growing trade deficit in the last two years, especially in the year 2008, (when it was even 12.026,3 million USD), and was a long-term economic and durable source with very high public spending, as a major potential source of macroeconomic instability.

Figure 2. Total in export trading for the period from 2003 up to 2010



Source: Authors remark

In the year 2010 compared to the year 2003, Serbia's GDP increased by over 2.5 times, but it had an identical effect on employment growth. On the contrary, developments in the labor market in Serbia during the transition process, primarily due to the process of privatization and restructuring, are characterized by the reduction in the number of employees and increase in the number of unemployed. Total number of employees was reduced from about 2.1 million in the year 2003 to about 1.99 million people in the year 2010. Serbia is left behind by the employment rate for about 50% since the population of working age is significantly lacking behind the European Union (EU 27 average employment rate is 64.5%).

The total number of unemployed in early year 2010 amounted to 917 thousand people. Although in comparison to the year 2006, the number of unemployed slightly reduced (mainly due to changes in recording mode), Serbia has a much higher unemployment rate than the population in the European Union (about 7.5% in the year 2008. respectively). Serbia's unemployment rate is 24.1%. The unemployment rate is very high, and the problem of employment and recruitment is one of the major economic and social problems of our country, with the economic crisis to further escalate (in the year 2011, the expected decline in the employment is minimum 1%).

In the last months of the year 2010 the economic developments, including economic policies, were strongly influenced by the global financial crisis. The crisis, which is already more than two years on, manifested in various world financial markets, culminating in the first half of October 2008, when there was a crash on the leading stock exchanges and almost complete cessation of interbank short-term lending. Financial markets distrust prevailed, and in many cases panic. Although there are different grades, it seems that the initial causes of the crisis lie in the collapse of the U.S. housing market and

the inability of creditors to collect their accounts receivable. The growth of the crisis has contributed to a fully liberalized financial market such as the U.S., where the so-called trade derivatives (by the banks, mutual funds, and mortgage insurance companies and similar financial institutions) were not adequately controlled (Stefanović et al., 2010).

The negative effects of the crisis in the U.S. soon spread to other financial markets in the world economy and leading countries. This led to the bankruptcy of many prominent financial institutions and banks and/or their recapitalization by the state sector. The consequences of the global financial crisis were quickly spilled over into the real sector, and were observed primarily through reduced current effective demand for a large number of products and services. Consequently, as a result of negative developments in the financial and the real sector of the economy, virtually all the leading economies of the world, entered the large-scale recession, which has not been recorded since the thirties of the last century.

In late half of the year 2008 first effects of the global financial crisis "spilled over" to the Economics and Finance of Serbia, and were reflected primarily in export-oriented production and changes in the financial markets. In the first quarter of the year 2009 negative effects of the global financial crisis became much more visible when he saw a dramatic decline in overall economic activity in Serbia.

Industrial production declined by about 17%, insolvency has reached enormous proportions (over 50 thousand businesses were "blocked"), exports (and imports) declined by about 35%, and there has been some slowdown in bank lending activities and activities BSE (with further decline in the value of shares and withdrawal of foreign investors). Reduced budget revenue, led to the (the first in the year 2009.) budget review and proceeding with the action on insurance with objector great new loans from the IMF. All this indicates that the economy of Serbia was on the verge of great, with many assessments, long-lasting recession.

Over the past eight years, Serbia has failed to overcome the negative effects of economic trends that it had in the 1990-ies of the last century and increase its GDP above the level achieved in the year 1989. For now, we can only hope that the effects of the global financial crisis will "take" only few more 2 or 3 years in the economic growth of our country.

Table 5. Foreign competition in brands and range of products

Swisslion	Kras	Zvecevo	Milka	Ferrero
Bevita	*	*	*	*
Petit Beurre	Petit Beurre	*	*	*
Linea Batons,	Ronda Valisa	M-joy,	Lila Pause	Pingui
Čoko banana	Bananko	*	*	*
Čoko biscuit	*	*	*	*
Softi i Kondita	*	*	*	*
Chocolate Domacica	Domacica	*	*	*
Chocolate	Daria	Dorina Samo ti, Volim te Milka chocolate		Kinder choc.
Black chocolate	Dorina	*	*	*

Source: Author remarks

Demand exists, with larger uptrend. However, during the year, demand varies. The biggest sales are during the winter months, and from autumn to spring, and then demand tends to fall during the summer months. This is due to the offer on the market of fruit and ice cream, which replaces the consumption of confectionery products. Also, high temperatures do not favor any sale of these products, because they require furnishing outlets adequate refrigeration. Therefore, the Soko Stark has oriented to the large commercial systems that are properly equipped.

Confectionery production in Serbia&Montenegro engaged about 14 companies. According to research by the presence manufacturer of biscuits and cakes, we have to bare in mind the consumer market of the MP panel of Yugoslavia and Serbia, and in the first place is Bambi with 76.3%, followed by Soko Nada Stark with 57.3% and 39.1% with Banini. A favorite brand of cookies and cakes is Plasma biscuit-Bambi with 23.1%, followed by Jaffa Crvenka with 8.8%, and the third-Domaćica Banini, Swisslion with 5.5% in both studies did not appear in the top five manufacturers. Most domestic manufacturers are already well positioned in the minds of consumers, with a long tradition of manufacturing and have built the brand.

One of the biggest competitor brands and competitors product shape is Bambi. Bambi from Pozarevac is a company dealing in trade and production that originated in the year 1967. According to the achieved total income for the year 2002 it has been situated on the third place, behind Swisslion and Soko Nada Stark, and with generated profit per second to a Swisslion. The most popular product of Bambi is Bambi Plasma biscuits, which because of its rich composition are intended primarily for the children. Pionir Subotica, exists for 85 years. This is another company with a long tradition. The most popular product is Galeb chocolate.

"Jaffa Crvenka" - Crvenka is biscuit factory whose main activity is the manufacture of cakes and other products of the pastry. Founded in the year 1976, at the total generated profit in the year 2002 gets them in third place.

Potential competition also consists of foreign manufacturers, which are slowly entering our market. These are the producers from the European Union and the countries of former Yugoslavia (Croatia) - Milka, Nestle, Kinder, Ferrero, Kras, Zvecevo and other. Unfortunately, in our country people are still of the opinion that foreign companies produce better products, so these competitors pose a serious threat. Latent competitions are local manufacturers of cakes. These are mostly housewives in rural and suburban areas, which allow the ordering of different kinds of candy. Women in urban areas are generally employed and do not have enough time to devote themselves to cooking and often opt for this option. A special type of competition makes it illegal imports of confectionery products. These products are coming into the country by the illegal channels, while we can not know the actual quantity imported, as well as to predict the exact moment of their imports. Generic competitors are all producers who produce food, mostly junk food, snacks and ice cream. These include domestic and foreign manufacturers such as Chipsy, Famoso, PIK Cacak, Florida Bell, Pringles, Chipita,

Frikom, Delta Ice Cream and Ledo. In addition, generic competition also consists of pastry, bakery, pizza, McDonald's, Pizza Hut and the similar.

The mission and vision of further development of the company

Mission of Soko Stark is a rich assortment of high-quality standard, using healthy, natural raw materials, which provide internal standards, meeting the desires and tastes of consumers of confectionery products. Vision of Soko Stark is to become a multinational company and maintain its leading position in the European confectionery market, and developing a positive self-image in its products, successfully positioned as trademarks.

Long-term goals:

a) Preserve and further strengthen its leadership position in the confectionery industry in the Serbian market and develop a positive image of themselves and their products as successfully positioned Trademarks
b) Creating consumer awareness about products and creating a recognizable image of a strong brand consisting of
c) Marketing Department in collaboration with external marketing agencies should constantly monitor and research customer satisfaction with Stark products and always give priority to the analysis of customer satisfaction when compared to similar competitive products.

Short-term goals:

a) The entry in the franchise relationship should result in increased market share and sales by 10% compared to the current situation and
b) The entry in the franchise relationship of Soko Stark Retails, a subsidiary company Soko Stark, should reach a profit of 500 million dinars over the next year

In order to realize the goals it is necessary to fulfill the following tasks: continuous customer care, constant innovation, following the world trends and pulse of market, improve service and better coverage of markets, opening new chocolatiers, then through active promotion, designing and setting it hand, creating a good information system; achieving good cooperation with business partners, continuing professional development of employees.

Market Segmentation

With its product portfolio Soko Stark covers the entire market (all age groups of the population) of Serbia&Montenegro. As the largest potential consumers mentioned are the young generation, athletes, and all persons exposed to the efforts. Most customers fall into the category of variables supporters, who prefer certain products, but not the usual shopping habits. Therefore, they can be easily motivated by the promotional activities for the purchase and quality and low price to encourage the arrangements.

Product Strategy

Mix products from the company Soko Stark are composed by two main product lines: sweet and salty snacks. Each line makes more sublines. The entire products mix of Soko

Stark is completely consistent, which means connectivity in the final consumption of the product, production process, and in particular sales channels and promotions.

The products are of high quality for the production from the raw material supplied to the European market - the Commodity Exchange in the Netherlands, Switzerland and others. In addition, the company in its laboratory performs a re-examination of all raw materials and thus guarantees high quality. Production technology is also at the highest level.

During the formation of a brand name performed are the individual strategies of brand names. Packages are subject to frequent changes, and problem recognition. Complete packaging is environmentally friendly and can be recycled.

Pricing Strategies

Soko Stark is implementing a strategy of lower prices than the competition. This strategy allows the company to take significant market share and achieving leadership position in the area of Serbia and Montenegro. Despite the lower prices, the company achieved a high level of income (fourth place in the framework of all the companies in the S & M, and first place in the confectionery industry). Setting lower prices resulted from several main reasons: the most modern production technology and achieved high labor productivity, procurement of raw materials annually; own fleet; loans through its own retail stores; existence of its own mills and silos.

Distribution Strategy

Intermediate network: the company has its own retail network, which includes 15 stores i.e. "chocolatiers". They can be found throughout Belgrade. All retail stores have the same interior, and sell only products of Soko Stark, in bulk and in containers. Prices for these objects are lower than in other systems sales.

The intermediary sales channels: Conventional channels consisting of independent retailers who provide services to the sale of our products and vertical marketing channels that consist of contractual vertical marketing system (franchising system). Soko Stark grant a license to sell products, and retailers meet the contractual terms of the sale. There are contracts with large commercial systems, hypermarkets (Mercator, Rodic and Super Vero) and supermarket chains (C Market, Maxi discount, Pekabeta and Gorica)

The sale is made through major wholesalers such as Rodic, Nana Nis, Dis Commerce Krnjevo, Cacak IGT and others. It is conducted with its own funds. Soko Stark has a lot of trucks, lorries and vans. If necessary, the transport is done outpatient and serviced each by the particular from the large retail chains.

Promotional Strategies

The current strategy of promotion was undeveloped, i.e. little of the budget was spent and very little attention has been paid to any kind of promotional activities. Consequently there has been a major problem in building brand awareness of the consumers. In the past, funds have been earmarked for promotion through sponsorship and charity work. They were making a promotional display at the Agricultural Fair in Novi Sad and at the Food Fair in Belgrade. Little was spent on economic propaganda and continuous PR activity.

The SWOT analysis

Strengths:

- High participation in meeting the market demand of the confectionery industry of Serbia and Montenegro
- Implementation of Standards and Stark Technology
- A stable financial base
- Their own chain of 15 stores under the name "chocolatier"
- The policy of eligible prices for a quality product
- A rich assortment
- Its own fleet

Weaknesses:

- A wide range of products on offer and a lot of similarity with competing products
- Insufficient built of its own trademark
- Weak consumer information about the company and its product portfolio
- Frequent changes in packaging
- Lack of permanent promotional activities
- Undeveloped public relations
- Lack of market tradition

Chances:

- Inactivity of major competitors in the design, programming and implementation of tailored and comprehensive promotional activities
- Good cooperation with retailers
- Unresolved ownership status of competitors
- Development of the awareness of the consumers about the products and their quality
- Back to tradition and respect of religious traditions
- "Fast Life"

Threats:

- The presence of competing products from the former Yugoslavian republics, which are still well positioned in the market of Serbia and Montenegro
- Existence of disloyal behavior of competitors
- Difficult and uncertain competitive matches with brands already affirmed
- Increasing imports
- Domestic consumers prefer foreign package regardless of the quality of products
- The reaction of competitors to the promotional efforts

Conclusion

Previous studies give us the insight to look at the situation and give a proposal for the further development of enterprises, of Soko Stark. We see that today large companies become bigger and the small get even smaller or just disappear. One way to "stay in the game" is through the collaboration with the companies that have already built well-known brand and image. With logistic and marketing support is much easier to operate in business. Multinational companies in the confectionery industry used a various number of strategies to expand business, including a franchise system. Franchising has a huge impact on the confectionery industry worldwide, and is one of the ways to connect a large number of confectionery industries in large and distinctive confectionery chain.

The trend of globalization of world trade is linked to the existence of companies, including franchising. Franchising is very useful for "pouring" financial and intellectual capital across the borders of countries. In the last decade we have witnessed a great shift of political and technological barriers. Today, franchising is present in virtually all countries. Particularly in the most developed economies. Franchising system supports and contributes to the development of small and medium enterprises and medium business class. It helps companies to resist the demands of the market, which are affected by big and strong participant-players. Franchising has a great advantage, over other forms, the process of privatization of utilities and other companies founded by local governments.

Extending the chain "chocolatier" and the discovery of new marketing channels will make the company strengthen its competitive position and bring franchise relationship in business. Promotion and PR activities represent the discontinuous greatest weaknesses of companies. For this reason, the company needs to work on developing promotional activities to create consumer awareness of the product-mix and stirred interest in the products and buy them. The company needs to work on expanding to new market segments and find new marketing channels have described as the best.

The main benefit for the company franchisee is entering the job in well-established standardized trade, i.e. entry into the retail network Stark stores. On the other hand, Soko Stark in this way is expanding its retail network without investments in the retail space.

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FRANŠIZING KAO POSLOVNI KONCEPT - ŠANSA ZA MNOGE U SRBIJI

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Rezime

Razvoj franšizne mreže kao alternativno rešenje u odnosu na klasično otvaranje vlastitih jedinica omogućuje širenje kroz angažovanje manje novca i podelu rizika s lokalnim preduzetnikom koji dobro poznaje svoje tržište i detaljno proverava njegov potencijal pre nego što i vlastita sredstva uloži u kupovinu franšize.

Kompanija „ Soko Štark“ iz Beograda jedna je od najvećih konditorskih industrija u regionu i više od 90 godina lider na domaćem tržištu. Imajući u vidu činjenicu da se Franšizing kao koncept poslovanja u zadnjoj deceniji snažno razvija na sva svetska tržišta, menadžment Soko Štark-a razmatra prednosti i nedostatke ovakvog poslovnog koncepta i preduzima sve neophodne aktivnosti i mere kako bi što pre izašlo sa novom strategijom razvoja, pre svega razvoja svoje maloprodajne mreže putem franšize. Preduzeće je svojim načinom poslovanja pokazalo uspešan koncept dosadašnjeg nastupa. U bliskoj budućnosti planira da proširi i uveća franšizni sistem. Preduzeće je dokazalo, da je uspešnije u odnosu na konkurenciju koju ima na tržištu konditorske industrije, gde je do skora vladala praznina. Zato očekujemo, da bi smo mogli lako proširiti svoj franšizni sistem kako unutar svojih granica, tako i na ostalim tržištima teritorije bivših republika.

Ključne reči: *franšizing, razvoj preduzeća, preduzetništvo, proizvodnja hrane.*

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