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A.B. Kuanyshbek<sup>1</sup>

<sup>1</sup>Suleyman Demirel University  
Kaskelen, Kazakhstan

## PROBLEMS OF FRANCHISING DEVELOPMENT IN THE REPUBLIC OF KAZAKHSTAN

**Abstract.** The article is devoted to the development of franchising in Kazakhstan. The relevance of the research topic is conditioned by the fact that, under current conditions, franchising is one of the main ways to organize an effective business, as it gives the entrepreneur the opportunity to become the owner of an already well-known brand, with a long history and a formed target audience.

As the experience of the West, a successful entrepreneur can be any person: from a pensioner to a housewife. But in Kazakhstan there is still insufficient level of pre-awareness, weak involvement of the inactive population in the business environment. The share of the employed population in entrepreneurship in comparison with world statistics is very low. This indicates the need to improve the infrastructure for supporting initial business.

**Key words:** franchising, franchise, classification, brand, product, import.

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**Аңдатпа.** Бұл мақалада Қазақстандағы франчайзингке қатысты сұрақтарға қатысты мәселелер талқыланады. Өзекті тақырыптарда зерттеудің негізгі тақырыбы болып табылады. Франчайзинг тек тиімді брендтердің меншік иегері, тарихтың түпнұсқалығымен кәдімгі аудиторияны қалыптастыруға мүмкіндік беретін кәсіпкерлік мүмкіндігін беретін тиімді бизнестің негізгі спецификалық құралдарын бірегейлендіреді.

**Кілт сөздер:** франчайзинг, франшиза, жіктеу, бренд, өнім, импорт.

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**Аннотация.** Статья посвящена вопросам развития франчайзинга в Казахстане. Актуальность темы исследования обусловлена тем, что, в современных условиях, франчайзинг является одним из основных способов организации эффективного бизнеса, поскольку предоставляет предпринимателю возможность стать владельцем уже известного бренда, с долгой историей и сформировавшейся целевой аудиторией.

Как показывает опыт Запада, успешным предпринимателем может быть любой человек: от пенсионера до домохозяйки. Но в Казахстане все еще недостаточный уровень предпринимательской информированности,

слабая вовлеченность неактивного населения в предпринимательскую среду. Доля занятого населения в предпринимательстве по сравнению с мировой статистикой очень невысока. Это говорит о необходимости совершенствования инфраструктуры поддержки начального предпринимательства.

**Ключевые слова:** франчайзинг, франшиза, классификация, бренд, продукт, импорт.

World practice has proved that franchising is one of the most effective ways to develop business for companies that have already achieved success and who want to develop their success further. On the other hand, franchising is the best opportunity to organize a reliable business for a small businessman, a beginning businessman, even for a person who has never engaged in business. In many developed countries, franchising is given special attention and support from the legislative and executive authorities. Indeed, the opening of franchising enterprises along with the creation of new jobs means the further legalization of business activities, increasing the collection of taxes. Any franchisor, based on his contractual interests, carefully monitors the franchisee for financial transparency of operations and the reliability of its reporting. This is especially important in our country due to the large number of companies that are not transparent by a number of criteria, the generally accepted majority of enterprises "uncivilized" business standards and the low investment activity of foreign investors connected with these factors.

The beginning of franchising in Kazakhstan is connected with the opening of Cafe Baskin Robbins in Kazakhstan in 2002. In the same year there is a law on franchising on June 24, 2002. Also in 2002, the Kazakhstan Franchise Association (KAF), a specialized institution for franchising development, appears.

At the end of 2002, the US Agency for International Development (USAID) is presenting a franchise program within the framework of the entrepreneurship project. The purpose of the program is the formation of purely Kazakh companies-franchisors. Within the framework of the program, a number of free seminars on franchising are organized, textbooks on the topic are distributed free of charge, and national franchises are formed. Also, according to the program, the visit of the vice-president of the IAF to Kazakhstan is organized, the purpose of which is to help increase business contacts between American franchisors and Kazakhstani enterprises. The result of the program is the appearance of a number of domestic franchise companies. Thanks to the program, the level of entrepreneurship awareness about franchising is increasing, which helps to popularize the franchise form [2].

In our country at the moment, more than 30 domestic companies have announced the offer of their own franchise [1]. Among these companies can be

cited as an example: the network of auto centers "Astana-Motors", chain stores "Aimar", design house "Kuralai", etc.

Since March 2012, the National Center for Development of Franchising within the framework of the Damu Fund has been operating in the Republic, this program is one of the priorities of the Damu Foundation [3]. To date, more than 500 entrepreneurs from all regions of Kazakhstan have become clients of the Center, and more than 5,000 entrepreneurs visited various themed events organized by the Center.

For the first time in the republic in 2012, three government documents approved measures to support franchising:

- The National Agency for Export and Investment KAZNEXINVEST within the EXPORT 2020 program supports exporters, compensating them for 50% of the costs incurred when exporting domestic products to foreign markets. This support extends to the acquisition of a franchise in the manufacturing sector for the organization of export-oriented products;

- The DAMU Foundation implements the National Center for Franchising Development within the framework of the DAMU Foundation;

- The Government of the Republic of Kazakhstan issued a decree on granting state grants to start-up entrepreneurs for the implementation of projects under the "Business Road Map 2020" program. Grants of up to 3 million tenge are provided, including the purchase of a franchise [3].

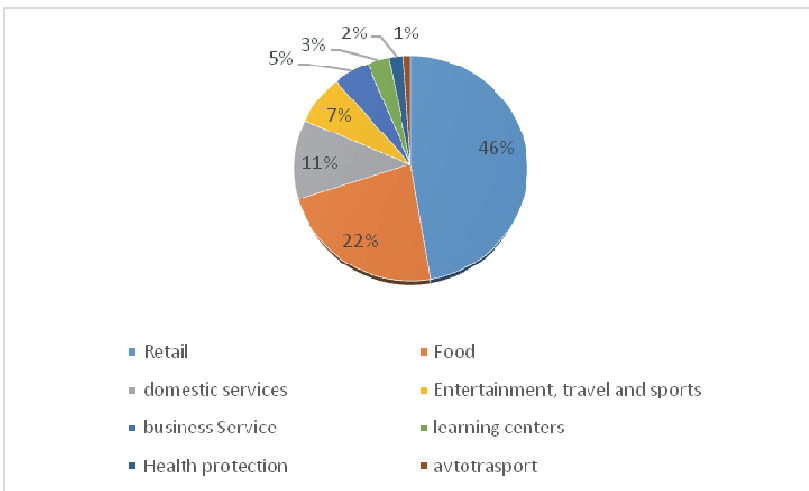


Fig.1 - Shares of various sectors of the economy, where franchising is used in Kazakhstan [1].

From January to October 2017, more than 30 franchise events were held in the Republic of Kazakhstan - exhibitions, conferences, seminars, round tables, presentations.

Figure 1 shows the share of various sectors of the economy, where franchising is used in Kazakhstan and the share of various countries present in Kazakhstan on the terms of franchising (as of January 1, 2018

Rapid economic growth, increasing the share of SMEs in the country's GDP, increasing demand for advanced business technologies, relative freedom of the franchising sector, and a number of other factors make it possible to predict a multiple increase in the sector's statistical data in the near future [4].

At present, franchising in the Republic of Kazakhstan is used in almost all branches of the economy and covers the trade, services for the population and business, and various production areas. Franchise relations in the share of small and medium-sized businesses at the end of 2017 are 9% compared to 7.5% for the same date in 2016. Dynamics of growth of franchising relations in Kazakhstan is presented in Table 1.

Table 1

Dynamics of growth of franchising relations in Kazakhstan

Number	Index	2015	2016	2017
1	Ratio franchised relationship in structure and the number of SMEs%.	6	7.5	9
2	The number of foreign franchises.	220	240	350
3	The number of Kazakhstani companies have or are developing their own franchise.	9	eleven	thirty
4	Number of national franchises represented abroad.	2	4	15
5	Turnover in the franchising sector bln. \$.	0.85	0.9	1.0
6	Number of jobs created.	20000	22000	25000
Note - compiled by the author based on the source [5]				

More than 10 Kazakhstani companies plan to launch their franchise or declare themselves franchisors, but have not yet sold a single franchise (Table 2).

Of the foreign franchise networks present in Kazakhstan, the palm of leadership has passed to Russia, although as early as 2015, the leaders were American franchises. More than 65 Russian franchises work in the market of Kazakhstan, about 30 planets enter the market in the very near future. The

number of franchising points of Russian networks has exceeded 400. Moreover, the number of Russian franchises has increased in the last 2-3 years. Russian networks are represented by 27 business formats, 34 trade-distributing, 3 media franchises and 1 production. Most of all represented the segment of fashionable clothes of Russian manufacturers-26%, various services (marriage, advertising, Internet, consulting, etc.) - 20%, restaurant franchises - 19%, retail (grocery, honeycomb, jewelry, furniture , sports goods, etc.) - 18%, the rest - sports clubs, medical centers, beauty salons, etc.

Table 2

Kazakhstan-based franchising networks in Kazakhstan

Totalfranchisenetworks	33
Businessformatfranchisingnetwork	25
Franchised network of trade - a distribution format	7
Franchisednetworkproductionformat	1
Total points branded Kazakhstan franchisees	189
Note - compiled by the author based on the source [5]	

American franchising is represented in Kazakhstan by 36 networks and 250 franchising points. Despite the fact that American networks have lost in quantitative terms, they own the bulk of franchise sales, because it is the US sector that owns megabrends like Coca Cola, Intercontinental, Baskin Robbins, etc. The sector is represented by 20 business-format networks, 3 production formats and 13 retail-distribution. Such segments as business services (financial, educational, consulting, advertising, tourist, etc.) prevail - 35%, trade in clothes and accessories of fashion brands - 30%. Other segments - hotel, restaurant, trade in perfumery, etc.

In general, the franchise in the sale of fashionable clothes, footwear and accessories of well-known brands (35%), services (30%), franchises for food (15%), various retail (12%), etc. are the most represented on the Kazakhstan market.

It is impossible not to pay attention to some of the negative factors that impede the development of franchising in the country:

1. Absence of state privileges and preferences for the franchising sector;
2. Insufficient protection of intellectual property;
3. Limited access of entrepreneurs to the so-called "long money";
4. Opacity of internal business;
5. Poor knowledge of franchising as a favorable form of business relations;

6. High real estate prices made it unprofitable to open a franchise point, which is a significant obstacle to the development of franchising in general.

It has already been mentioned that the role of state bodies and business associations in the popularization of franchising is very high, as well as in training specialists for the franchising sector and the formation of a personnel market. Every year, the franchising sector increases, and, accordingly, the demand for profile workers increases. According to data on the review of the personnel market of international franchising, the greatest demand is for employees selling franchises, creating franchise packages, consultants and front-staff, as well as specialists in protecting intellectual property. Already now, some recruitment agencies receive applications from employers for franchising specialists. Obviously, this trend will only increase. It is also obvious that the world is moving towards globalization and therefore franchising is the business of the future.

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