

## DEVELOPMENT OF FRANCHISING AS A BUSINESS MODEL IN THE LITHUANIAN REAL ESTATE SERVICES MARKET

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**Abstract.** Franchising is a proper and perspective business model for property and real estate services enterprises in the Lithuanian market. Development of property and real estate services sector, using franchising business model in the context of Lithuania is the main subject of this paper. According to that, the purpose of this paper is to disclose development of franchise as a young business model in case of property and real estate market in Lithuania, to identify attitudes towards the mode of operation success held by the franchisor and the franchisee. This paper adopts case study approach to examine franchising as business model experience of property and estate agencies in Lithuania. The paper investigates three largest property and estate franchisors and 83 franchise purchasers. The paper reveals the motives of choosing franchise operations, experience, peculiarities of partnership between partners of franchise, some barriers and specifics of contracts in Lithuania as a relatively young business, what contributes to the success of the franchising business model. The findings of the paper are beneficial to domestic, as well as to international managers of services enterprises looking for possibilities to expand and develop their business using franchising in Lithuania.

**Keywords:** franchising, property and real estate services, business model, Lithuania.

**JEL classification:** F23, M13, M16, 14

### Introduction

Recently franchise as a business model has become rather popular in the world – it is one of the most rapid ways for business development and distribution of merchandise and services. Business related to franchise earns more than 2 billion US dollars every year. In the majority of countries, franchise is founded practically in all of sectors

of the economy. Franchising within the world economies continues to grow. The US, which is the most important country in developing franchising, nowadays has achieved 40–50% of retailing sales with franchising (Gamez–Gonzalez *et al.*, 2010). The forecast in the US for 2012 plans growth, compared to 2007: franchise by 2.5%, number of employees by 2.5%, establishing hundreds of thousands of new working places. The total value of merchandise and services should increase by 4.7% in 2011 (2010 Franchise business economic Outlook, 2009). In Europe, the number of franchisees and franchisers has doubled in a decade (1995–2005). The same also occurred in Asia and Australia (Gamez–Gonzalez *et al.*, 2010).

There are many enterprises that act on the basis of franchise. However, not every one of them is proud of particular success and rapid development of the network. Success of franchising is affected by specific factors, but researches on this problematic question are very fragmented. Factors of success of franchise as a business model were investigated by the following researches: Scott, Frazer and Weaven (2006), Berni (2002), Bourdow (2007). However, not all sectors implementing franchise as a business model are surveyed, as well as specifics of advanced and emerging markets is not sufficiently investigated.

Interest for franchising in Lithuania as a latecomer country has started to increase recently, different from the earlier members of the EU. Franchise as a business model is developed in hospitality, retailing, and services business sectors. Both domestic and international franchising could be identified there. Adoption of franchise is more active in property and real estate services sector. There are few property and real estate agencies and independent consultants on real estate operation in Lithuania acting on the basis of that type of business.

Researches on questions why a residential real estate brokerage enterprise chooses to franchise their operation and efficiency of residential real estate brokerage enterprises were conducted by Randy and Fok (1998), Anderson *et al.* (1998). According to Randy and Fok (1998), franchising has been present in the residential real estate brokerage market for many years. With the first appearance of franchising in the residential real estate industry in 1948, franchising has grown into an industry force of some magnitude. In 1990, approximately 18% of all real estate enterprises were affiliated with a franchise organisation. Today, nearly one of every five enterprises in this sector is organised as a franchise and one of every three agents works for an affiliated organisation. This trend is observed in Lithuania, too. Real estate agencies do not employ staff – they organise franchising contract. Besides that, franchise in property and real estate services sector in Lithuania is a very new mode of business development. Researches on franchise in Lithuania are rather fragmented. Franchise as a business model is analysed by the Lithuanian researchers Žilinskis and Malkin (2008), Levickaite and Reimeris (2010).

The problem of the research is influenced by the lack of researches on franchising as business model in relation to property and estate services. Thus the success motives of franchising and barriers that appear in different countries using franchising remain a relevant but scarcely analysed research problem not only in Lithuania, but also in other countries. A closer analysis of the problem can help understand the performance of property and estate services franchising model development in rapidly developing countries with quite a small market. The research problem can be defined in the form

of the following questions: *what is the specifics of development of franchise as a business model in the Lithuanian property and real estate sector? What are the attitudes towards the success of franchise as the mode of operation?*

*Purpose* – to disclose the development of franchise as a young business model in case of real estate in Lithuania and to identify attitudes towards the mode of operation success held by the franchisor and the franchisee. The methods of the research are comparative analysis of scientific literature, quantitative and qualitative researches.

The article is organised as follows. Firstly, the theoretical background is presented; secondly, the research methodology is revealed. Thirdly, the Lithuanian franchising market is presented. Findings of the empirical researches are summarised. Finally, conclusions and recommendations are given.

### **Theoretical background: specifics of franchise as a business model**

Franchise is described as follows: one enterprise (the franchisor) sells the right to market goods or services under its brand name and using its business practices to a second enterprise – the franchisee (Combs *et al.*, 2004). Business relationships based on franchise provide a profit for both parties: the franchisor has a possibility to increase sales, to use borrowed capital for his own development, to sell his experience, know-how and business secrets additionally, and the franchisee gains the well-known trade mark, checked management methods, additional financing, consultations, training, etc. The franchisor creates a network of franchise by attracting franchisees. The network is expanding at common attempts and is based on partnership and bilateral responsibilities. Development of franchise as a business model is usually grounded in two theories (Alon *et al.*, 2007; Watson and Kirby, 2000, Sadi and Henderson, 2010): resource scarcity and transaction/agency theory. The resource scarcity argument suggests that companies adopt franchising as a method of growth, as the selling of franchises is a means of raising capital. Transaction costs refer to the costs arising during some form of economic exchange, principally due to uncertainty and opportunism (Felstead, 1993). It is suggested that because franchisees invest their own capital into the franchise and are residual claimants, they will be more motivated than a salaried manager, hence reducing the costs of monitoring (Watson and Kirby, 2000).

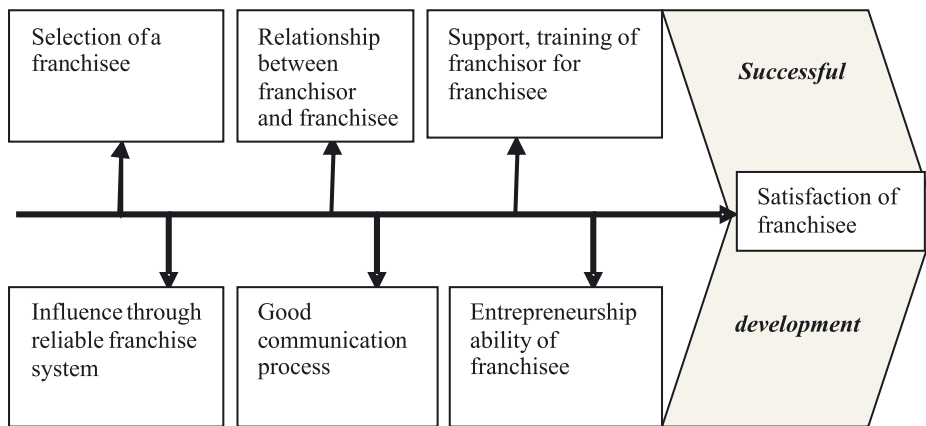
The franchise manual prepared and published by the Lithuanian Franchise Centre (2008) says that creation of franchise is possible on the ground of any business. However, a perspective franchise is possible only if it is well and bringing a profit business conception that could be developed by educating other people. Franchising starts from a decision to develop a business on the ground of franchise model. However, before making a first step to success it should be evaluated if a business could actually be developed on the ground of this model; estimate a success of business and available financial and human resources as well as their management competence. Careful estimation of the above factors and creation of a specific franchise system enables becoming a franchisor and ensuring the successful development of business.

Scott *et al.* (2006) stress that for the successful development of a franchise business model, the following factors are urgent: (1) satisfaction of franchisee; (2) influence of

franchisor on franchisee; (3) relationship between franchisor and franchisee; (4) their communication; (5) support of franchisor for franchisee; (6) entrepreneurship skills of franchisee; and (7) selection of franchisee (Figure 1).

The authors referred above have found that better understanding and evaluation of these factors can influence more rational use of limited resources, development of specific business processes what guarantees a success for separate franchise units. It could be affirmed that a few factors depend on the franchisor, a few – on the franchisee or even on both of them. The success of franchising business depends first of all on creating a reliable franchise system and capabilities of the franchisor to support its working and the effective management of the franchisee. The second urgent factor is the improved selection of a franchisee, which guarantees choosing the right franchisee best capable to implement and develop a business.

**Figure 1:** Successful development of a franchise business model



Source: Authors' calculations.

Taking into account the fact that a basics of franchising business are transmission of know-how, knowledge on trade mark management, on making useful contacts and maintaining them, on transmission of business secrets and other knowledge to the franchisee, it is a very urgent element for the development of this kind of a business model – providing proper methodise for the franchisee, their education, training and supporting with technical and other facilities. According to Bourdow (2007), the franchisee should think that a franchisor's support does not limit to keeping in line with the conditions of the contract and that keeping in line with these conditions guarantees the business success after the starting stage of this kind of business is over. In addition to the factors that depend on the franchisor, large impact is made by the franchisee: entrepreneurship skills, self-sufficient implementation of tasks, following the requirements of the franchisor and proved procedures, as well as limited employment of innovations. By distinguishing the impact of entrepreneurial franchisees on their activity, Berni (2002) also forecasts some related problems. He stresses that a franchisee who is very entrepreneurial in the long-run can feel bored by the activity in this system. And

it is very likely that such a franchisee is able both to look for ways to exit from the business or try to achieve essential changes in the system. Those franchisees who are not entrepreneurial enough can claim for huge costs of the system as this kind of a franchisee cannot act independently from the franchisor and his decisions for the business.

## Methodology

Franchise in Lithuania is common in the services market. Thus it is necessary to identify the current state of franchising in Lithuania. According to the data of the Statistics Department of Lithuania (2011), at the beginning of 2007 in the Lithuanian real estate market there were 2524 enterprises and independent entrepreneurs engaged in real estate operations. This number was increasing despite the financial crisis in 2008–2009. At the beginning of 2011, this sector already included 3567 business units with 20000 employees. However, the statistics shows that only 160 real estate enterprises employed more than 10 employees. We can state that the general potential of real estate development is rather high. The competition in the market is intensive. That is why nowadays one of the most successful alternatives for development and more rapid market expansion for the real estate market is franchise. However, it should be added that real estate market in Lithuania is one of the youngest as a sector adopting franchising. It became very popular during the recession.

Primary and secondary data analysis was made. While analysing the situation in the Lithuanian services sector, a qualitative survey of the websites of franchising associations, scientific articles analysing franchising, and the data of the Statistics Department was made. A qualitative survey was organised by interviewing experts of the three real estate agencies 'Gepard', 'ReBank' and 'DnB NORD Bustas' using a franchise. 83 franchisees acting on the basis of franchises of 'Gepard', 'ReBank', 'DnB NORD Bustas' and 'Re/Max' were inquired on the basis of a written questionnaire.

The criteria for experts' survey were as follows: experience of franchise activity in the enterprise, peculiarities of partnership, factors of franchising development and success. The criteria for franchisee survey included motives to develop franchising, experience, cooperation process between the franchisor and the franchisee, specifics of franchise contracts, factors of franchising development. Any of the criteria were disclosed by a few of questions on the basis of which 3 to 8 indicators have been emphasised. The criteria developed by the authors were measured using five-point Likert type scale (1 = not important; 5= very important). The survey included the data collected from March to April 2011. The data were processed by means of the SPSS and a correlation analysis was performed, seeking to identify the impact of an indicator on separate criteria.

### **Sectors of services operating by franchise in the Lithuanian market**

At the beginning of 2008, only 30 Lithuanian capital enterprises were operating in Lithuania that attempted to develop activity on the ground of franchise and 10 of them tried to start a business abroad (Viltrakyte, 2008). As franchising is not very popular in the country yet, it has many opportunities to develop. According to Žilinskas (2010),

one of the main reasons affecting rare adoption of franchise in Lithuania is the low level of know-how to develop this model of business by the beginning of 2008. The Lithuanian Franchise Centre (LFC) was established in 2008 with the main task to consult businessmen about franchise. It should be mentioned that the franchisors of the three Baltic States (Latvia, Estonia and Lithuania) are joined by the Baltic Franchising Association (BFA), however their activity is also not published enough. This association includes 19 franchisors at the domestic and international level (<http://www.franchising.lv>). LFC includes 11 franchisors (<http://www.fransizescentras.lt>). Unfortunately, it does not reflect the real situation as the majority of franchisors in Lithuania do not cooperate both with the Lithuanian Franchise Centre or the Baltic Franchising Association. The sectors in which franchise is employed could be identified (Table 1).

Even if there are some instances of franchising in Lithuania, it is thought that this field is not fully exploited. The project 'Brand 4Baltic' was implemented in 2011. During this project, the first survey of attractiveness for franchising of the Lithuanian and Latvian regions was organised. The findings of the research showed that conditions for business development on the ground of franchise were friendly. Besides that, the Lithuanian regions are distinguished by more friendly conditions for franchising than the Latvian regions. Vilnius region was identified as the most suitable for franchising; then came Kaunas and Klaipeda, in which the conditions are favourable for developing nutrition services, retailing of clothes, shoes and food. Business consultation services sector is rather well developed not only in the largest towns, but also in the smallest ones. The conditions for office care services development in some of them were evaluated even better than in the capital Vilnius (Michailovska, 2011).

**Table 1:** Sectors of services in which franchise is used in Lithuania

| Services sector             | Franchisee (domestic/international) /Title of franchisor network   |
|-----------------------------|--|
| Auto repair, service        | KEMI autoservisas (domestic)   |
| Hotel, Hospitality industry | Holiday Inn Vilnius (international) / Six Continents<br>Santaka, Naujasis Vilnius (international)/ Best Western<br>Balt Park (domestic)  |
| Nutrition sector            | McDonald's (international)/ McDonald's<br>Hedsburger (international)/ Hedsburger<br>Tea Spoon (domestic)<br>Sushi Express (domestic)<br>Pizza Jazz (domestic)<br>Čilija (domestic)                   |
| Travel & tourism            | Baltic Travel Service (international)/ Lufthansa City Center International   |
| Auto rental                 | Avis (international) operated by AVIS Lithuania Service Centre / Avis<br>Europcar (international) operated by JSC Eurolitcar / Europcar<br>Hertz (international) operated by Hertz Lithuania / Hertz |

|  |   |
|--|---|
| Clothes retail, DIY retail, Retail of furniture, Office solution | Senukai (domestic)<br>Elektromarkt (domestic)<br>JYSK (international)/ JYSK<br>SBA idėjos namams (domestic)<br>Mango (international) operated by APB Apranga / Mango<br>Zara (international) operated by APB Apranga / Inditex<br>Max Mara (international) operated by APB Apranga / Max Mara<br>Mexx (international) operated by APB Apranga / Mexx<br>Hugo Boss (international) operated by APB Apranga / Hugo Boss<br>Marks&Spencer (international) / Marks&Spencer<br>Daily service (international) operated by UAB Sanitex / Office1 |
| Real estate  | DnB NORD bustas (international)/ DnB<br>RE/MAX (international) / RE/MAX<br>Gepard (domestic)<br>ReBank (domestic)<br>Century 21 (domestic)  |

Source: Authors' calculations.

### **Property and real estate agencies franchisor and franchisee experience investigation Findings of the franchisors' survey**

*Experience of activity.* As findings of the survey show, the Lithuanian real estate agencies sell their franchises only to the Lithuanian market. Thus, this way for the development of business is successfully adopted in the real estate market, but for expanding abroad more business experience is necessary. The most often experience of the surveyed enterprises was rather poor, from 1 to 3 years. The reasons for development using franchise were defined as follows: the objective to sell the enterprise trade mark, more rapid expansion to the market of the enterprises' services, safe costs and one of the most important – not to fire employees. It is a particularly relevant step in the complicated conditions of economy, where not only sales are falling down, but also enterprises are forced to reduce the number of employees. The alternative of franchising was chosen on the ground of personal managers' experience. This confirms the fact that decision to use franchise as a way for development in the Lithuanian real estate agencies market depends not only on the goals of an enterprise, but also on the search of alternative decisions.

*Partnership: long-term relationship and support for franchisee.* Average evaluation of experts about the partnership with franchisees was 4.67 score, i. e. high enough. The result allowed us assuming that the real estate agencies in Lithuania keep very close relationships with franchisees, thereby keeping the control and participating in their decision-making activity in everyday life.

According to the respondents, bilateral attempts to create long-term relationship are necessary. This is confirmed by answers '<...> close relationship could be maintained only by continuously communicating and imparting all notes, opinion and suggestions by various questions; this is the only way of keeping relationships positive; '<...> it is urgent that franchisee would expect not only to get everything from franchisor, but would dedicate for business himself'. Rather high evaluation of partnership with the franchisee influenced interest and rate of communication with the franchisee, what, according to experts, is

very urgent. Regular contacts with a franchisee are maintained once a week that helps to keep a rather close relationship. This relationship is also provided by the franchise contract, as the franchisee of real estate can be guaranteed about the support. Franchisors in Lithuania provide basic education, continued trainings and seminars, and the necessary means. A marketing plan is prepared frequently, as well as assistance for choosing premises, fitting them, and for getting financial support could be provided.

The only one of the surveyed enterprises ('DnB NORD bustas') belongs to the LFC. However, it does not see any benefit from it, as the activity of the association is very fragmented. Other agencies do not join the LFC because of the lack of information. It should be noted that the activity of the young association is ineffective and enterprises have no incentives to join it, as the membership is paid.

*Factors of success and possibilities for development.* Support of franchise for franchisee through education, training and keeping the long-term partnership as well as effective communication were identified as urgent factors for development of a franchise business model. '<...>Both the franchisor and the franchisee should make many attempts, this is the only way for going the business straight ahead, know what they want to achieve and make everything in order to achieve this goal <...>'. However, according to experts, the entrepreneurial skills of the franchisee and the selection of franchisees is equally important. When trying to select a franchisee, their personal skills and competences are evaluated. '<...> The main thing is whether a candidate is motivated, knows why he wants a franchise and what attempts is he ready to undertake for successful functioning', '<...> we investigate whether the financial position of the buyer, where it is an undertaking, allows it buying a franchise', '<...> if he knows how franchise works, what claims are raised <...>', '<...> personal skills of the franchisee, capability to meet challenges are important'. This shows that the potential buyer should be an owner of a set of skills: be rather motivated, have adequate finances and knowledge about franchise.

Trade mark was also mentioned as a factor of success, according to experts '<...> if a trademark is well known in the market, all possibilities to act successfully appear'. Nevertheless, it is important to select the franchisee properly, i.e. he should be capable to reach the market's customers' wishes, because '<...> otherwise even a well-known franchisee is worthless'.

Publicity, boost, personal contacts were identified as the methods for development of real estate franchise in Lithuania. According to experts, '<...> we try to engage potential buyers during our seminars', '<...> we advertise our franchise on the website, in Facebook, in the blogs', '<...> advertise in the website of the Lithuanian Franchise Centre'. According to experts, there is too little information about franchise and its advantages in Lithuania. Entrepreneurs are still afraid to invest in franchise, as this business model is not very well-known and understandable, '<...> franchise will expand very slowly in the country, as there are no extra inducement means'. Besides that '<...> the Lithuanian market is not attractive for foreign franchise; it is not only too small, but foreign franchises usually are too expensive for the Lithuanians'. According to experts, this moment is good for using franchise in the real estate services sector, as '<...> the market of real estate services is recovering very rapidly, financing from banks is better, sales of enterprises are increasing'. One advantage of franchise in the Lithuanian market is stressed – it is not



expensive, compared to foreign networks franchise. By forecasting the perspectives, the experts said that '*<...> more and more domestic franchise will be sold at reasonable prices that are equal to expensive foreign franchise*'. That is why further development of real estate services is grounded on the franchise business model.

### Findings of the franchisee survey

*Experience of activity.* The majority of franchisees (44.6%) use franchise as a business model for a period less than one year. Franchise was used by 27.7% franchisees from 1 to 2 years and by 25.3% from 2 to 3 years. Only 2.4% of franchisees were with 3 to 4 years' experience. Thus franchise in the real estate services market is a young phenomenon. Franchise was the main activity for 77.1% franchisees; it was secondary activity for 22.9%. The findings confirm that working on the basis of a franchise in the real estate services market is a valuable means for being an independent businessman and for earning enough money. For the majority of respondents (88%) franchise in the real estate services market is new experience and only 12% of respondents have been working in business related to franchise: public nutrition, insurance services. Thus, even if franchise in the real estate services market is now more popular, for the majority of businessmen it is rather new form of business development.

*Motives for franchise.* Primary motive for choosing franchise for real estate business is the possibility to use a well-known trade mark (42% respondents), possibility to make use of experience of a successful business (36%), small business risks (20%). As well as motives to control working time, business possibilities, a wish to try franchise in practise and a wish to earn more money were mentioned.

During the survey we tried to find out how one motive of franchise influences other motives and evaluate their correlation. It is to be noted that small initial tax for franchise directly correlates with small royalty tax (0,314). Usually franchise that is inexpensive is distinguished by other low taxes. Low competition in the sector has direct relation to demand for franchise offered services (0,232) and experience and reputation of the franchisor (0,237). If competition is insignificant, the demand for services is also insignificant. Demand for franchising services correlates with experience and reputation of the franchisor (0,306) and high level of support from the franchisor (0,182). Increasing demand for services forces enterprises to look for new solutions to improve the satisfaction of customer demands and care for the image of the enterprise. The growth of demand for services motivates real estate agencies to invest in the qualification of partners; and this influences more intensive support for the franchisee. Well known trade mark of franchise is related to rapid return on investments (0,276), higher level of requirements for the franchisee (0,205) and smaller risk of failure (0,225). Long-term contracting is related to high level of requirements for the franchisee (0,184) and support (0,267).

*Partnership: relationship and support for the franchisee.* By estimating the cohesion of partnership by Likert scale from 1 to 5 (1 – very low, 5 – very high), 42.2% of respondents were evaluated as averaging. Higher than average was estimated by 49.4% respondents and very close – by 8.4%. The evaluation significantly differs from the evaluation made by experts. Experts evaluated partnership much better. Thus, though

franchisors pay much attention for keeping close relationship with the franchisee, the latter think that the support is not satisfactory. According to the franchisees, the closest cooperation is maintained between 'DnB NOR bustas' franchise owners – the average score is 3.78; while the weakest relationship is between the parties of the 'Gepard' franchise (the score is 3.44).

When estimating factors affecting cohesion between parties, a direct correlation between two factors emerged – adequacy between expectations and actually receivable profit and level of communication between the franchisor and the franchisee (0.201). Franchisees as well as franchisors do not participate in the activity of the LFC because of lack of information (79.5%). 24.1% of respondents are not interested in participation in the association. Thus real estate sector members have no information on the benefit they can get from participation in the association.

Among the means of support for the franchisee initial education (92.8%), training and seminars (91,6%) and a prepared marketing plan (84.3%) are provided. This confirms that franchisors supporting the franchisee in real estate services market usually orientate themselves to education of staff, improvement of qualification, keeping the well-known trade mark and the quality of services provided.

*Specifics of franchise contracts in real estate services market.* The findings of the survey showed that the time limits for contracting are short – from 1 to 5 years (71% respondents). 28% of franchisee contracts are termless. World practise shows that contracts are usually concluded for 20 years. Thus the Lithuanian sector is rather sensible to economy fluctuations and franchisors do not seek to engage businessmen for a long period. However, in the majority of cases it is possible to prolong the term of the contract if the partnership is successful. Similarly, contracts include a possibility to terminate a contract if responsibilities are not followed.

The findings have showed that relationship includes standard taxes related to franchise: initial royalty and revenue, also advertisement taxes. Extra charges are settled very often (fixed monthly tax for the franchisee), and they can reduce the interest of businessmen to buy a franchise. The majority of respondents (48.2%) pay more than 20% of their revenue; about 15% of respondents pay 6–10%, 11–15% and 16–20%. The terms for taxes in the surveyed sector are rather strict and can create barriers for those willing to start business on the ground of franchise. Large taxes are usually based on high revenue of brokers, as well as high commission. Trying to identify the correlation between taxes and support, we have compared the respondents for which taxes for franchise are the smallest and the largest. The findings of the survey has showed that large taxes paid for franchise influence a wide spectrum of support from a franchisor. More than 40% of respondents pay more than 20% of revenue taxes and get support related to premises, equipment and facilities necessary for the activity, as well as various training. While a franchisee paying small taxes from 1 to 5% of revenue usually obtains no such support from the franchisor (only 6% of respondents do). Finally, the findings of the survey showed that, for the franchisee, taxes in the real estate services sector are rather high. The majority of respondents (53%) evaluated taxes as average and 38.6% – as high. Even if taxes are relatively high, respondents understand that they get support (education, training, marketing plan, facilities) in exchange for it.

*Factors for the development of the franchising business model.* Respondents evaluated factors influencing the success of the franchise business model. According to the franchisee, success of franchise as well as its development not only in the real estate services market is determined by the power and renown of a trade mark, versatile support, and managerial skills and experience of the franchisor. From the investigation of the relationship between factors of success it can be seen that quality of the supplied services is directly related to power and renown of a trade mark (0,226) and a clear vision and goals of the activity (0,244). A correlation exists between the variety of supplied services and management skills and experience of a franchisor and a franchisee (0,275). A wide spectrum of qualitative services is provided by enterprises whose managers and staff have extensive experience in this field.

Along with the factors influencing the success of franchising development in Lithuania, barriers for development were also identified: lack of information about franchising business, small market, high taxes, and absence of support from the Government, the franchising association and financial institutions, lack of businessmen entrepreneurial skills, lack of experience of franchisors and franchisees, conservative businessmen, strict franchising contract terms. The majority of respondents identified lack of information, the small Lithuanian market and lack of experience as factors limiting the development. A direct relationship exists between the market that is too small for developing a business on the basis of franchise and lack of information about franchise (0.188), lack of businessmen entrepreneurial skills (0.212) and strict contract terms. Usually if a market is not attractive to well-known world enterprises, there is no demand to educate businessmen about franchise; and the latter seek for a possibility to enter other markets. However, if enterprises sell franchise for a small market, they make stricter terms of contracts in order to safeguard the business and the trade mark. Strict terms of a contract directly relate to high taxes for franchise (0.418). This problem is worsened by absence of support from the governmental institutions of the country (0.229). A relationship between lack of businessmen entrepreneurial skills and lack of experience of franchisor and franchisee (0.223), and conservatism of businessmen (0.295) is observed. If a businessman is conservative and does not look for entrepreneurial innovative decisions, it is very difficult to accumulate experience.

Different from franchisors, franchisees are less optimistic about franchising in Lithuania. A part of them have said that franchising will be more popular, others – that franchising will develop rather slowly. Thus franchise has a potential in Lithuania, however for engaging the franchise more widely, businessmen should pay more attention to what franchise is, and what profit it could bring for a business. Government institutions could also stimulate and support enterprise development on the basics of franchise not only in the local market, but also abroad. The experience of franchise models well-known in business world practice should be adopted.

## Conclusions

According to many criteria, Lithuania is rather attractive for entering in the market for a new foreign franchisee. However, few presumptions are lacking: interest of lo-

cal businessmen and understanding of a profit given by the franchise. There are too few reliable data on the Lithuanian franchise sector – no statistical data about franchises operating in Lithuania exist; and the range of offered foreign franchise is too narrow.

After analysing the findings of the survey, the following conclusions could be made: an implication of franchise as a business model in the Lithuanian property and real estate services market differs slightly from the ordinary broker's activity. This determines limitations for the application of a business model: permanent cooperation between the franchisee and the franchisor and lack of initiatives for systematic education and training. Relatively high taxes for franchise also stipulate partial disability in the said Lithuanian services market. The extent of taxes does not correspond to the perceived value of the franchisee, which is expressed in the form of assistance: training, systemic cooperation and etc. That's could be identified as a main barrier for development such kind of business model.

In order to stimulate the development of franchising as a business model in Lithuania, more initiative from businessmen is urgent, as well as educating of related parties, by explaining the benefit of franchise. The Lithuanian Government should adopt solutions and actions for increasing the attractiveness of the Lithuanian market for foreign trade marks, even if the market is not a big one. More attention to common Baltic projects with a purpose to attract more well-known franchising business would be useful. Initiatives of franchisors for more intensive activity of the association would be useful not only for the members of the association, but also for the future franchisee.

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## FRANČIZĖS VERSLO MODELIO VYSTYMAS LIETUVOS NEKILNOJAMOJO TURTO PASLAUGŲ RINKOJE

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**Santrauka.** Straipsnyje analizuojami pagrindiniai frančizės pasirinkimo motyvai, turima patirtis, bendradarbiavimo ypatumai tarp frančizės partnerių bei frančizės, kaip gana naujo verslo modelio Lietuvoje, sutarčių specifika. Pagrindinis šio tyrimo tikslas – atskleisti frančizės, kaip verslo modelio, vystymo aspektus Lietuvos nekilnojamojo turto paslaugų sektoriuje ir identifikuoti esminius veiksnius, užtikrinančius šio verslo modelio sėkmę operatyviniu valdymo lygmeniu. Tyrime taikyti kiekybiniai ir kokybiniai metodai. Apklaustos trys didžiausios nekilnojamojo turto paslaugų įmonės – frančizės davėjos ir 83 frančizės gavėjai, dirbantys šiame paslaugų sektoriuje Lietuvoje. Tyrimu atskleidžiami trukdžiai ir sėkmės veiksniai, turintys įtakos frančizės, kaip verslo modelio, plėtrai Lietuvoje. Atlikus mokslinės literatūros analizę išskirta, kad pagrindinis sėkmingo frančizės vystymo veiksnys nuo pat frančizės atrankos procedūros yra ilgalaikių santykių vystymas tarp frančizės gavėjo ir davėjo, apimantis tokias dimensijas kaip efektyvi komunikacija, nuolatinė pagalba, antrepreneriškos iniciatyvos, frančizės gavėjo suvokiama frančizės nauda. Atlikus nekilnojamojo turto paslaugų frančizės gavėjų ir davėjų tyrimus paaiškėjo, kad dalis šių dimensijų nėra efektyvios dėl kliūčių frančizės vystymui. Pažymėta, kad pasigendama ir frančizės vystymui svarbaus glaudaus bendradarbiavimo tarp verslo ir vyriausybės institucijų, siekiant inicijuoti informacijos sklaidą apie frančizės teikiamas galimybes bei verslo modelio adaptaciją ir patrauklumą Lietuvos rinkoje. Tyrimo rezultatai naudingi tiek Lietuvos, tiek užsienio paslaugų įmonių vadovams, kurie ieško galimybių išplėsti bei vystyti frančizės verslo modelį Lietuvoje.

**Reikšminiai žodžiai:** frančizė, nekilnojamojo turto paslaugos, verslo modelis, Lietuva.