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Original scientific paper

FASHION FRANCHISES - REVIEW OF CROATIA AND NORTH MACEDONIA

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Abstract

Franchising is one of the most used strategies and/or modes for growing and expanding business as franchisors and starting new ventures as franchisees from the other side. Franchising is used for growing and expanding business not only in domestic but also in the international market. It can be seen in many industrial sectors, production companies, and service-providing companies. In the fashion and retail sectors, franchising is deeply embedded and represents one of the most obvious answers and one of the best strategies for expansion. Over the last several years, we have witnessed the expansion of different fashion brands in the region through franchising, especially their international expansion. Thus, we have investigated the situation in the fashion industry, especially the brands that use franchising as their primary growth strategy.

The paper's primary goal is to analyze fashion franchising as a potential growth model for domestic fashion companies. Paper analyses and presents results of franchising in the world fashion industry and examines the situation in Croatia and North Macedonia. As a research result, it is seen that fashion franchising is mainly presented through international companies and that there are only rare examples of domestic fashion companies that franchise.

Keywords: fashion industry, franchising, Croatia, North Macedonia, similarities, differences

JEL classification: M19, M21

INTRODUCTION

Franchising is a potential growth model for established companies and a model for starting new ventures for start-up entrepreneurs (Ziolkowska & Erceg, 2016). Franchising as a growth model is connected to agency and resource scarcity theories. Resource scarcity of different resources is often pushed for franchising with franchisor age, size, or growth rate (Gills & Combs, 2009). Castrogiovanni, Comby & Justis (2006) state that agency theory emphasizes the connection and collaboration between a principal and an agent. The relationship challenges occur from discrepancies between the principal's and

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agent's interests and goals and troubles in observing agent behavior. Combs et al. (2011) state that franchising represents an effective operating model in business growth and expansions and significantly impacts global business development (Forte & Carvahlo, 2013). Schwarzer (2016), in his research, concluded that the franchising economic influence is average, 4% of national GDP and 2.3% of total world GDP. The research found that more than 2.2. million companies that generate 1.6 trillion USD and employ more than 19 million people are within the franchising business model.

The fashion industry is one of the most significant sectors, with a 1.7 trillion USD achieved in 2021 (Fashion United, 2021), and therefore it has a significant influence on the world economy. Within the fashion industry, franchising plays a vital role since many brands use it as their strategy for entering new markets (Märzheuser-Wood & Chatwood, 2015, Chen, Chung & Guo, 2020). License Global (2017) stated that there are 14 fashion companies listed in the top 100 global franchisors.

The paper's main aim is to present franchising in the fashion industry in the world, with particular emphasis on the Croatian and North Macedonian markets. The first part of the paper reviews franchising in the fashion industry and the opportunities and barriers to using this strategy. The second part of the paper gives an insight into the current situation and status of franchising in the world fashion industry. The third part of the paper will present the status of fashion franchising in Croatia and North Macedonia and the similarities and differences between those two countries. In the final part, a conclusion and further research proposal are given.

1. FRANCHISING IN THE FASHION INDUSTRY

Franchisors and franchisees are primarily small and medium-sized enterprises, despite the belief that they are all big global mega-brands. Big well-known brands do not own thousands of stores under their brand; small and medium-sized enterprises – franchisees do.

Franchising in the fashion industry has attracted researchers who studied different viewpoints on franchising relationships in fashion. (Table 1)

Table 1. Selected studies on franchising in the fashion industry

Mejia-Vasquez et al., 2021	How organization form influences the location performance in fashion retailing
Grandhi, Singh and Patwa, 2012	The connection between franchising and retail brands for market success
Bobek et al., 2019; Maček, Kros and Bobek, 2019	International fashion franchising from a different viewpoint – franchisor or franchisees
Doherty and Alexander, 2003	Relationship development in international fashion franchising
Chen, Chung and Guo, 2018; Cai et al., 2019	Franchising contracts in the fashion industry

Studies have researched different characteristics of fashion franchising, from the organizational forms, relationships, and internationalization to the legal viewpoints of the fashion franchising relationship.

It is essential to understand that fashion franchising does not represent a new concept in an entrepreneur's mind. Franchisees in fashion franchising operate clothing stores that sell clothes and accessories to consumers under retailing (Bobek et al., 2019). Franchising has developed in the fashion industry to increase sales and achieve better

brand positioning. This business has brought popularity and recognition to many globally known brands, ensuring faster expansion and market penetration (Grandhi, Singh & Patwa, 2012; Cai et al., 2019). Franchised, famous and renowned brands have become a very successful business for both franchisors and franchisees, thanks to the franchisor's business system and the franchisee's expertise in local issues. Many well-known and senior brands have accessed new markets through franchising, such as Tommy Hilfiger, Benetton, Calliope, Zara, and Gap Inc. Franchising was said to balance maintaining control of the brand and managing the capital at risk (Chatwood & Marzheuser-Wood 2015). Keeping control of the brand and managing capital is essential to keeping the brand well-known and the financial source in a safe zone. For franchisees with strong enthusiasm for fashion retailing, entering the franchise business means receiving business experience to help them succeed (Choi, Chen & Chung, 2019). Being a franchisee in the fashion industry allows receiving the franchisor's knowledge and expertise as a competitive advantage. Thus, franchising in the fashion industry is also seen as a franchisor's strategy for expansion (local, domestic, and/or global) and a way of operating business for franchisees (Maček, Kros & Bobek, 2019; Mejia-Vasquez et al., 2021).

The importance of franchising in fashion can be seen in the fashion distribution channels, consisting of franchising distribution and direct retailing (Chen, Chung & Guo, 2020; Cai et al., 2019). The first channel, direct retailing, refers to shops owned and managed by fashion brand owners. The second channel, franchising distribution, refers to distribution from fashion brand owners through regional agents to franchisees. (Figure 1).



Figure 1. Fashion distribution channels
Source: Chen, Chung & Guo, 2020: 84

Figure 1 shows that a brand owner can choose direct retailing or franchise distribution as a franchisor. Under direct retailing franchisor open his shop (B) and sells the goods directly to the consumers. Under franchising distribution, the franchisor sells the goods to the regional franchising agent for a specific area (country, province). Further, the regional agent sells the goods to the franchisee, who sells the goods to the final customers.

Traditionally, fashion brands appointed distributors who supplied goods to retail outlets, where products were marketed in categories, and store staff took responsibility for displaying products according to consumer needs. As the product sales concept

became subordinated to the importance of the brand, the era of exclusive brands gradually developed, which encouraged greater retailer loyalty, outstanding sales support, market control, and better forecasting and inventory. However, such stores could not compete based on location, experience, value, and change. However, only based on high prices, high margins, and low volume, and considering all these elements, traditional stores are far superior to exclusive stores. Likewise, business sustainability soon became a challenge.

The franchising model was introduced to overcome these challenges because retailing has transformed. Once the customer has adapted to buying in exclusive stores, which took several years, companies would become viable in the market. Thus, franchising in fashion has developed to increase sales and achieve better brand positioning because such stores have brought them the necessary popularity and recognition. Mejia-Vasquez et al. (2021) stated that clothing franchise systems could run their locations through their employees or franchisees. This is important since managers of vertically integrated establishments and franchisees have different inducements, which may affect their performance (Vu, 2015; Sveum & Sykuta, 2017).

As the competition in fashion is intense, having a well-established brand gives franchisees a strong start (Click to the franchise, 2012). Besides having a development (design) department with franchisors, franchisees also benefit from the advertising program of the whole franchise system. This creates an additional competitive advantage in the market (as noted by researchers for other industries - see more in, i.e., Erceg, 2012; Erceg, 2019a; Erceg & Orban, 2020). When a franchisee buys a franchise with a good image, sales promotions, and attractive discounts, he can easily build a big customer base and save money for marketing activities (Click to the franchise, 2012). Furthermore, franchisees in the fashion industry do not have to consider renewing the stock, following the trends, or learning how to manage the location since this is the franchisor's obligation for the whole franchising system. On the other hand, franchising in fashion has some disadvantages. The first one is market saturation. Franchisees compete not only with their franchisors, other franchisees, and other clothing businesses but also with franchisors and other entrepreneurs' online stores. The second is the creativity restriction. Franchisees must design and decorate the store according to the franchisor's rules; everything must be the same as in the franchisor's stores. The third disadvantage is inventory which represents a huge part of the initial investment. Additionally, stock needs to be updated regularly due to the changing trends and seasons, which leads to an ongoing cost. (Neale, n/a).

Bobek et al. (2019) found that fashion brands and their franchise systems sometimes fail when internationalizing due to a bad connection with local customer needs. Grandhi, Singh, and Patwa (2012: 66) concluded that fashion brands that connect to the shoppers' expectations are the ones that survive on the market. Besides connection, it is essential to have smooth store operations for the brand's success on the market. Business success is affected by efficient and consistent delivery of the company's branding and ethos by store staff (Bobek et al., 2019). So, the most well-known fashion brands can fail in-store operations execution.

1.1. FASHION FRANCHISING IN THE WORLD

The fashion industry is also one of the first industries that started to use franchise potential. The fastest-growing sectors were clothing and textiles, followed by care, beauty, and footwear (Franchising in Fashion Industry, 2009).

Globalization has forced companies to internationalize their operations to create new markets for their products, maintain a competitive advantage and adapt to world trends. One of the ways of internationalization, very adaptable to the fashion industry, is franchising. The fashion industry, like franchising, is multi-sectorial and comprises many sub-sectors (textiles, clothing, fashion accessories, footwear, cosmetics, care products, jewelry, and many others). Each of them has its share in the franchise industry, which by itself is represented in more than 300 different business sectors globally (poslovni.hr, 2020).

There is a big match between the fashion industry and franchising. Both have superb possibilities for adaptation to various markets. They have the need and the possibility of quickly conquering the market, parallel expansion to various markets, and using economies of scale. Franchising enables the fashion industry to use partners' local expertise and share the risk of doing business in unknown markets and the circulation of finished products between partner markets, which is very important for the fashion segment.

Franchising is also responsible for developing the fashion industry beyond large companies for small entrepreneurs, who, given the trends, would be unable to survive in competition with large companies and their aggressive marketing strategies. In this way, as part of a chain, domestic or foreign, every individual can make a career in the fashion industry and have a successful business venture using all the advantages of franchising and joint marketing. On the other hand, the development of the franchise sector and the arrival of foreign fashion brands gives a positive example to local entrepreneurs of how to expand their business without significant investments. It shows that they can expand with the funds of their partners and, at the same time, quickly cover a more significant number of markets (Kukec, 2019).

One of the first associations about franchising, in general, is Starbucks, due to its extensive network of bistros. In the fashion context, it is the Swedish fashion brand H&M. Everyone thinks it is synonymous with franchising. However, in most countries, it operates in its stores. By 2020, it was represented in 74 markets with 4,492 stores, of which 272 are franchised. Although franchise business is widespread in the fashion industry globally, H&M did not take this business model as their primary goal. Many of their stores, including those in Croatia, are owned and not franchised. Exceptions are only some markets where, due to legal regulations, they perform with franchise partners. Thus, they are represented with franchise business models in 14 countries: Panama, the United Arab Emirates, Kuwait, Qatar, Saudi Arabia, Egypt, Bahrain, Oman, Lebanon, Israel, Morocco, Jordan, Thailand, and Indonesia (Franchising.hr, 2020).

Statista (2020) states that leading European fashion franchise systems have several thousand locations. (Figure 2).

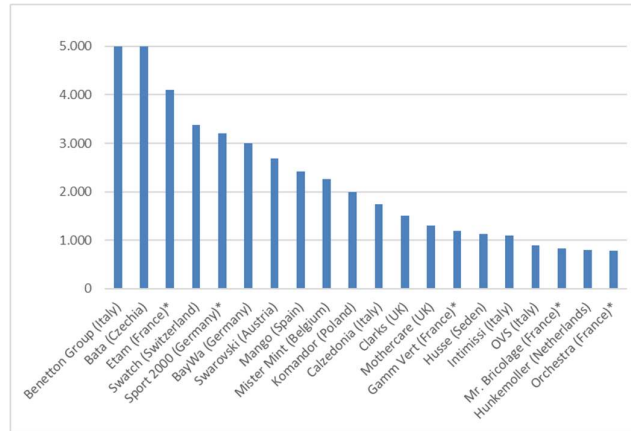


Figure 2. Number of units of leading European franchises in Europe 2019
Source: Statista, 2022

Figure 2 shows leading retail franchises in Europe in 2017. Bata, a franchise from the Czech Republic specializing in clothing and footwear, had the highest number of units at 5,000, together with the Benetton Group with 5,000 units. The number of locations of different franchise systems in Europe shows how spread the fashion franchises are and their importance to the fashion industry.

2. METHODOLOGY AND DATA

For this paper, we analyzed all available data about fashion franchise systems in Croatia and North Macedonia. This process has been limited by the lack of data on franchising in both countries (Erceg & Kukec, 2017; Erceg & Boškovska, 2020). We conducted the literature review about the topic having in mind not present status but also the evolution of the fashion industry from the period of Yugoslavia, where both countries, Croatia and North Macedonia, were part. We also conducted an online survey on Google using the words: fashion & franchising for both countries to get information about fashion franchise companies.

After that, we compared results from Croatia with North Macedonia to determine whether the respective countries have similarities or differences. Based on the similarities and differences between the two countries, conclusions were presented.

3. FASHION FRANCHISING IN CROATIA AND NORTH MACEDONIA

The development of fashion franchising in Croatia and North Macedonia originates in ex-Yugoslavia. The first franchises were from other business sectors (credit cards, hotel franchises, Coca-cola, etc.). In 1989, the Zagreb knitwear factory "Nada Dimić" created the "Endi" underwear program, which was a great success in the domestic market. They wanted to use all the advantages of franchising. However, due to the political situation, this was never realized. Within the ex-Yugoslavia, as providers of fashion franchises, we can mention Yumco from Serbia, a producer of yarn, threads, and fabrics, which launched a franchise in the 1980s under the recognizable slogan: "We - with knowledge, work, and reputation, you - with your means and sense of business success" (Spasić,

1996). Somehow, simultaneously in Croatia, Varteks from Varaždin in 1983 takes a franchise to produce Levi's.

In the next part of the paper, we will analyze the situation in Croatia and North Macedonia and present similarities and/or differences.

3.1. SITUATION IN CROATIA

According to research from 2012 (Erceg, 2012), the fashion franchise market in Croatia has a share of 41% of the total number of franchises, which is a considerable share. However, looking historically and observing the representation of fashion brands in shopping centers today, it seems that all globally known franchise fashion brands are already operating in Croatia. That gives the impression that the franchise sector is well developed. However, franchise business in Croatia in general, including in the fashion sector, has not yet experienced its true boom considering the still small share of domestic fashion franchises on the market, which in other countries are an essential factor in the development of franchising. There are undoubtedly many individual fashion franchises in Croatia by companies that are entirely unknown to the public. However, it is difficult to obtain such data due to a lack of market research, which represents this paper's limitation. One of the significant advantages of franchising in the fashion industry is that goods and services reach customers faster in less developed markets and smaller places. This is especially important for a country like Croatia and its market size. It is complicated to monitor the development of the fashion industry in Croatia within the franchise business sector because there is no market research for the franchise sector (Erceg, 2019b). All data is obtained from secondary sources; it is not rare that they are based on estimates. In the global fashion industry, including in Croatia, it is common for larger companies to have several to a few dozen franchised fashion brands in their portfolio, with very high dynamics of entry and exit of these franchises from the market. As the fashion industry is very dynamic and new brands are created daily globally, the franchise portfolios of certain larger companies change very often. This is the situation in Croatia as well.

The more robust development of franchising in the fashion sector in Croatia can be found in the mid-nineties, when Croatian companies Magma, Lantea, and Iris bought franchises of fashion brands: Emporio, Armani, Mango, Gerry Weber, Elena Mirò, Nike, Camel Active, La Divina, Triumph, Esprit, Escada, Monari, Palmers, Yves Rocher, Wolford, Marina Rinaldi, Promod and others (Nacional, 2007). However, large companies did import fashion franchises, and individual franchises such as Paul and Shark, Marines, Byblos, Marines, etc., were also owned by small entrepreneurs. The trend of importing foreign fashion brands escalated with the development of a more significant number of shopping centers. One of the first shopping centers was King Cross, which opened in 2002, where new fashion franchises were located: Geox, Bata, Terranova, Calzedonia, Extyn, etc. (Kukec, 2019)

The opening of many shopping centers created space for many fashion franchises to enter our market, which was much more difficult before (Kukec, 2019). Croatia's accession to the European Union also helped the development of fashion franchises in Croatia, considering the free flow of goods, which is a significant business factor for fashion franchises. On the other hand, the franchise sector is significant for Europe because the development of franchise companies and their networks means the development of small and medium-sized enterprises.

In 2007 a crucial Prenatal franchise with fashion arrived in Croatia. The franchise was awarded to the company Nera d.o.o. from Zagreb. The Prenatal brand in Europe then was one of the largest chains focused on fashion for pregnant women and children up to 11 years old. Prénatal opened over 400 stores worldwide, and in Croatia, they operated in all major shopping centers. In 2014 all stores closed (Bičak, 2007). In those years, other fashion brands also left Croatian markets, such as Boss, perfumery Limoni, Salsa Jeans Armani Kenzo, and Brioni Cocodrillo. However, other franchises arrived: Orchestra, Next, Petit Bateau, Blukids, Pepper Street, Napapijri, etc. (Rak Šajn, 2014).

The most well-known example of a Croatian fashion franchise is Xnation. This successful Croatian fashion chain, founded in 1991, has competed well with foreign fashion chains in the fast fashion segment for fifteen years. At the time of closing, they had about 80 stores, of which 22 were franchised in Croatia and the region. That is why we can still say it was our most substantial national franchise network in the fashion industry (Ilotić, 2012). Director of X-nation Kožul stated that the franchise way of doing business enabled him to develop business quickly and that the essential prerequisite of a successful franchise is a good product that the market accepts (Nacional, 2007).

Currently, Tekstil promet has the most substantial franchise portfolio in Croatia, and it is a company with a tradition of more than 70 years. The already mentioned Lantea group was part of that company for a long time. Their CEO stated that by obtaining exclusive franchises, on the one hand, they enhance the awareness of their strength. On the other side, they enhance the general public's awareness of the company's size. Therefore, they intensively and continuously search for new franchises in the Lantea group (Nacional, 2007). Today, Tekstil promet plays various roles in the Croatian fashion franchise sector. Some brands have a master franchise relationship, meaning they have the right and obligation to sell sub-franchisees and thus expand that franchise network on our territory. For some brands, they are single-unit franchisees, and for some brands, they are franchisors. Their retail network consists of over 160 stores. Some mono-brand franchises they own are Skiny, Camel Active, Gerry Weber, Basler, Betty Barclay, Taifun, Tosca Blu, Triumph, Navigare, and others. In addition to franchises, they also have their retail network, Moderato, Centra, Centra mini, and Naš dom, whose sales points they offer for franchising in the role of the franchisor. Their own best-known franchise brand is Galeb. The Galeb factory is an original Croatian manufacturer with a long tradition dating back to 1951 in Omiš. These are underwear and knitwear products in several lines offered at over 40 sales points as a mono-brand or corner (Tekstil promet, n/a).

Croatian fashion brand Amadeus (today AMDS) is the first Croatian street brand and once the leading jeans brand in the region, founded in 1988. The arrival of foreign fashion brands, especially those from the fast fashion segment, significantly reduced their market share, but they still maintain a successful business today. By 2015, they had developed a significant network of franchise stores in Croatia and the region. However, then, along with rebranding their stores into AMDS, they decided to buy out their franchises and switch from the franchise business model to their stores (Bičak, 2015). Other Croatian fashion franchises are presented in Table 2.

Table 2. Croatian fashion franchises

Take me home (Franshiza.hr, n/a)	offers customers useful Croatian designer products. Their franchise offer provides the opportunity to enter the business with a low level of initial investment and significant logistical support at the beginning of the business.
Galileo (Lider, 2019).	They plan to conquer the Serbia and Slovenia market and expand the retail chain to Romania and Bulgaria. However, there is no information on whether they have franchised part of their retail chain or not.
Diadema (HGK, 2016)	Additionally, to its stores, the company planned expansion through franchising and participated in the 2016 Franchise Expo in Paris.
Europa 92	chain of 40 multi-brand stores in Croatia and Slovenia, mainly with a large offer of jeans and representing 19 franchise brands, the most famous of which are: Levis, Lee, Mustang, Salsa, Scotch&soda, Wrangler, and others.
Aquamaritime (Aquamaritime. hr, n/a)	In addition to clothing and footwear, they also offer equipment for the home and, inevitably, everything you might need for the beach.
Iris moda	Operates at 75 sales points and, since 2016, has been under the name Iris Fashion d.o.o. They have Marella and Wolford franchises.
Varteks (Lider, 2016)	The most famous is undoubtedly their Di Caprio franchise. A derivative of that franchise is also Travel 4 ever brand

It is widespread in the Croatian market due to its size, that master franchisees from other countries represent well-known fashion brands. Therefore, it is unsurprising that foreign fashion brands entered the Croatian market using foreign master franchisees. (Table 3)

Table 3. Foreign fashion franchises

Marks & Spencer (Index, 2015)	Greek master franchisee company brought in 2006 Marks & Spencer, Gap, and Sephora perfumery. Due to the problems with the franchisor company, all five Marks & Spencer stores were closed
LPP – Reserved and Sinsay (Franchising.hr, 2018)	They open the most significant number of stores and have many franchises. They entered Croatia in 2017 with the brands Reserved and Sinsay.
Fashion Company (Franchising.hr, 2013).	Through the franchising, they represent more than 15 global brands such as Replay, Guess, Scotch & Soda, Tommy Hilfiger, Levi's, Timberland, Bata, Desigual, Fomarina, Miss 60, Camper, Liu Jo, Cesare Paciotti, Killah, and Energie. That is how the company expanded the business to Croatia and other countries in ex-Yugoslavia. Over the years, they have already established business within their standards, so they decide to act alone, without intermediaries
Pro Domo System (Franchising.hr 2015)	Master franchisee of the Pierre Cardin and Verde brands for the assortment of bags and fashion accessories. Currently, they are not actively promoting franchising but have concentrated on distribution.
Tiffany Production (Franchising.hr, 2019)	Present in the region through mono and multi-brand stores, developing a chain of its retail stores, franchise stores, and franchise corners. In 2018, they started doing business in Croatia by opening the first franchise store in Split, announcing big plans for the Croatian market.

Xnation and a few domestic fashion franchises have shown that franchising is a good way of development and internationalization. There are no similar domestic fashion franchises, but time will show if some future or existing fashion brands will use the advantages of the franchise business model for their expansion. On the other side, foreign fashion franchises are coming to Croatia, showing that this market is ready for fashion franchising systems.

3.2. SITUATION IN NORTH MACEDONIA

Since there is no franchise database for North Macedonia (Damoska Sekuloska, 2018, Erceg, 2019b), it is hard to find exact data. Several studies (e.g., Boškowska, Nikolovski & Polenakovikj, 2016; Sotiroski & Filiposki, 2016; Boškowska, 2017) found up to 70 franchise systems operating at 130 different locations in 8 to 9 different sectors. From a historical distance, there is no exact data on which first fashion franchise was applied in the Republic of Macedonia, bearing in mind that within SFRY, as stated above, several fashion brands functioned. If we take into consideration the current existing franchises, the oldest has been present for about twenty-five years. One of the first fashion brands that entered the Republic of Macedonia through a franchise is the Bitsiani brand (founded in 1986 in Greece) with two stores in Kumanovo and Skopje through the company Fashion Group, which still has the franchise, and it is present with one store. The same company, Fashion Group, has been the franchise business leader in the Republic of Macedonia for the past 28 years.

If we analyze the Macedonian franchise market, we can conclude that it is based on the fashion industry. More than 70% of franchisees in North Macedonia are in this sector. Many world-famous brands have shown interest in being present in the Macedonian market. Although their presence in this territory is with a small number of sales units, it is significant both for the brands themselves and North Macedonia.

The fluctuation of franchised fashion brands has been and still is high. Fashion brands such as the Sixty Group with Miss Sixty, Energy I Killah, Bata, and Golden Point appear. However, after a few years of presence, they withdrew from the market, or rather, the franchised contracts were terminated or not extended due to low interest in the products. Another reason was the instability of the franchisors in their operations, during which they had to cancel the contracts. The Prenatal brand with products for pregnant women and children withdrew from North Macedonia in 2014, as it has done previously in Croatia. The brand La Perla was also present, but in 2012, it was taken over by the Italian company Calzedonia Group, which is now present in the Macedonian market with the other two brands, Intimissimi and Tezenis.

Another fashion franchised brand that was present until 2016 is Basler. In November 2017, the German fashion company TriStyle Group controlled Basler and confirmed the closure of the brand's stores. Due to bankruptcy proceedings, the Slovenian company Mura, also present on the market, closed its stores. We will list a few more brands, such as Tally Weil, Celilo, and North Sails which are no longer present in the Macedonian market. In the following, we will list several characteristics of fashion franchises and their presence and development in the Macedonian market.

Skopje, the capital of the Republic of North Macedonia, is the center of all developments, and the state's functions and activities are concentrated in this city. The other parts of the country are less administrative, culturally, and socially active. This also applies to trade, retail, and the fashion industry. This reasoning is in the context that the franchises also open their sales points in Skopje, with the minor exception of a few stores in several other cities. All the franchises are in Skopje; thus, many Macedonian people from other places are forced to go to Skopje for shopping. It is also specific that almost all franchise stores are in shopping malls with the highest frequency of people. There is rarely a store that is opened as an individual facility in any part of Skopje.

As in neighboring countries, many of the Republic of North Macedonian franchises enter through master franchise agreements. Franchise brands give master franchise agreements for a particular territory. The Balkans have always been seen as one market, given the similarity of the habits and culture of people living there. Macedonian consumers are intensely interested in fashion, especially the so-called fast fashion. They are well informed about the products, quality, and prices offered in the domestic and other markets using the information channels. Comparisons are made to take advantage of the most favorable purchase conditions. A novelty the consumers have well accepted is an online sale; most companies have this sale through their corporate sites. For fashion brands in North Macedonia, many buyers come from neighboring countries for shopping, especially from Kosovo. However, Macedonian buyers also go to neighboring countries for shopping if they find out that they have a more extensive selection of goods, better prices, or brands unavailable in North Macedonia. Since there is no statistically accurate information about franchise businesses in North Macedonia, the information used here is from research for specific scientific papers or research needed for commercial purposes. According to research (Boškowska, 2016), more than 80% of the franchises in North Macedonia are in the textile retail sector, mainly clothing for adults, less in children's clothes, jewelry, and cosmetics, and there is not a single franchise exclusively for footwear. As a practice also used in other countries, some companies have a more significant number of franchised brands in their portfolio. Thus, several Macedonian companies are the holders of several fashion brands and have franchised agreements. In the following, we will present three companies that have the largest share of fashion franchises in the Republic of Macedonia.

One is the Fashion Group, a group of several companies with more than 30 franchised fashion brands. The beginnings of the Fashion group are from the far 1994. After opening the first brands in Skopje, the expansion in new brands and sales points is constant. Currently, 28 stores operate in the largest shopping centers and frequent pedestrian zones in Skopje, Kumanovo, Tetovo, and Bitola. The group employs more than 250 professionals committed to offering the best for every customer. Since 2017, the group has started selling products from its brands online, so today, the platform has become one of the country's most visited websites for online sales.

The second company is Magnetic, founded in 1992 and today is one of the leaders in the distribution and retail of textile products. Today, the company has the exclusive rights to distribute and sell Weekend Max Mara, Marella, Pennyblack, Liu Jo, Pinko, Paul&Shark, Gerry Weber, Patrizia Pepe, Twinset, Yamamay, Carpisa, Oltre, Motivi, and Fiorella Rubino in Macedonia. It also includes the multi-brand store Galeria Magnetic, where Studio Max Mara, Max Mara Leisure, Sportmax Code, and Coccinelle have been additionally represented. Since its foundation, the goal was to create a top company that would bring to the market products from world-famous brands at affordable prices for our market. Today, the Magnetic Group includes 16 stores, all located in Skopje, and except for one store, all the others are in shopping malls.

The third company is CM Delta, representing a group of four family companies whose history began in 1992. They own the following brands Lacoste, Gant, Tommy Hilfiger, Calvin Klein, Polo Ralph Lauren, Napapijri, Lapin House, OVS Kids, and L'occitane. They also have three Kosovo brands: Polo Ralph Lauren, Paul&Shark, and Gant. Their retail network consists of 14 sales halls in shopping centers in Skopje and Priština and employs over 70 people.

Table 4. Fashion franchise groups in North Macedonia

Fashion Group	Bitsiani, Boss, Calvin Klein Jeans, 4US, Desigual, Diesel, Geox, Guess, Hugo, Inuikii, Levis Mango, Okaidi, Parfois, Premiata, Replay, Rossi, Scotch& Soda, Springfield, Steve Madden, Superdry, Timberland, Tomy Jean, UGG, Women's Secret
Magnetik	Weekend Max Mara, Marella, Pennyblack, Liu Jo, Pinko, Paul&Shark, Gerry Weber, Patrizia Pepe, Twinset, Yamamay, Carpisa, Oltre, Motivi и Fiorella Rubino, Studio Max Mara, Max Mara Leisure, Sportmax Code и Coccinelle
CM Delta	Lacoste, Gant, Tommy Hilfiger, Calvin Klein, Polo Ralph Lauren, Napapijri, Barbour, Lapin House, OVS Kids, L'occitane

In addition to these three largest groups that several franchised fashion brands represent, several companies in the Macedonian market have several or only one franchise. From the fashion franchises for children's clothing, there is Original marine and Chicco, for underwear Calzedonia Group with the two brands Intimissimi and Tezenis, then Extreme personal, jewelry brands Swarovski and Oxette, the perfume brand Refan, the Turkish cosmetics brand Golden Rose, Orsay which is entered through Sportina Group, D's damat Turkish menswear brand, also Turkish brand Koton.

As for domestic franchised fashion brands, unfortunately, there are none in the Republic of Macedonia. In the past, extensive textile facilities such as Tetex, Astibo, and others had their brands and a significant export of their products. Although Macedonia is now considered a country where the textile industry is developed, and more than 45,000 people have been employed in this sector (State Statistics Office 2015), all industrial production is intended for the so-called Lon production. Textiles are produced for other clients, primarily large fashion houses - brands from abroad. Individual fashion creators of small collections exist in Macedonia, but not one is yet at the level to create their brand and opportunity for franchising. Only the company De Ta, with the Sara Fashion brand, several years ago, attempted to sell its product of socks and the sale of underwear in a franchise system in Macedonia and the local Balkan countries. There is a need to work on more education for the development of local textile workers to realize the possibility of their progress towards increasing the capacities and organizational possibilities for the development and expansion of their franchising businesses.

3.3. SIMILARITIES AND/OR DIFFERENCES

Based on the research, it is possible to see that fashion franchising brands are present in both countries, although not always in the same systems. When looking at the whole franchise situation in both countries, Croatia has a more developed franchise market with more franchise chains. In both countries, franchising started after the countries became independent in the 1990-ties. There are many similarities in the fashion chain that is currently operating, but there are not so many differences.

In both countries, we have several companies with more than several different fashion franchises. The fashion franchise system has the most significant share of the total franchises in the respected country (41% in Croatia and 70% in North Macedonia). Almost all the big fashion franchises are present in both countries with a different number of locations, but this can be seen through the size of the countries.

The fact that Croatia is in European Union gives certain benefits, including free movement of goods across borders, which presents the main barrier for entering the fashion franchise chain into certain countries. This was seen in Croatia before 2013, and after entering the EU, many new fashion franchises entered Croatia. Another opportunity

in the Croatian market is the existence of many shopping malls, which are the central locations for fashion franchise stores. Additionally, we have seen several Croatian fashion franchise chains in Croatia. Some of them (Aquamaritime) have expanded abroad to position themselves in the international fashion market.

One of the main differences is that in North Macedonia, we have several fashion franchises from Turkey, which is not the case in Croatia. No domestic Macedonian fashion franchise chains are currently present, although North Macedonia has a long textile industry tradition.

CONCLUSION

The fashion market always presents an exciting research topic; it is even more enjoyable when combined with franchising. Franchising is used to grow and expand the business for the franchisors on one side and for entering into business for the franchisees on the other. Franchising is responsible for developing the fashion industry beyond large companies for small entrepreneurs, who, given the trends, would be unable to survive in competition with large companies and their aggressive marketing strategies. The development of the franchise sector and the arrival of foreign fashion brands gives a positive example to local entrepreneurs of how to expand their business without significant investments.

The conducted research aimed to find the differences and similarities in the fashion franchise market in Croatia and North Macedonia showed that there are many similarities (foreign franchise systems, way of operating) but not so many differences (domestic franchise chains, not so many shopping centers). In both countries, several companies have franchise rights for several fashion brands. Also, further education about franchising is needed for the potential franchisees and franchisors since franchising as a way of growing and entering the business is still relatively unknown (Erceg and Boškowska, 2020). Croatia has domestic franchise chains and a strong push for the fashion franchise industry. Therefore, a local fashion franchise chain would be a great push forward for the future development of the fashion franchise market in North Macedonia.

Further research is needed to find what is needed for the domestic fashion industry to start using franchising as a growth model. The additional direction could be conducting further research on fashion franchise systems in both countries (i.e., number of locations, number of employees, turnover, etc.).

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