

Company business plan

Opening a Subway restaurant in Belarus

Bachelor dissertation

Maria Ageenko

Institute of Hospitality Management in Prague

Major field of study: Hospitality Management

Dissertation advisor: Ing. Jana Kalabisová, Ph.D.

Date of submission: 2017-04-27

Date of defense:

Email: 5023052@gmail.com

Prague 2017

Oath

I swear

that the bachelor dissertation titled «Company business plan» was written by me independently, and that all literature and additional material used are cited in the bibliography and that this version is exactly the same as the work submitted electronically.

In accordance with §47b law no. 111/1998 coll. on higher education institutions, I agree to my dissertation being published in its complete form in the publicly accessible electronic database of the Institute of Hospitality Management in Prague.

Signature

.....

Maria Ageenko

In Prague on 27.04.2017

Abstract

AGEENKO, Maria. *Company Business Plan, Opening a Subway restaurant in Belarus*. [Bachelor dissertation] Institute of Hospitality Management in Prague. Prague: 2017. Total number of pages 57.

Subway IP Inc. is the largest in the world fast-food chain (due to the quantity of locations) with submarine sandwiches, salads and pizzas presenting in 112 countries as franchisees. Currently Belarus is one of few countries in Europe that hasn't got any Subway restaurants, yet other similar business such as McDonalds, Burger King and KFC are already presented. Even though nowadays Belarus faced some economic difficulties, this country has perspectives for investors.

Franchising became popular business model among fast-food restaurants worldwide, however each country has its own specificity for operating this kind of company. It can be governmental regulations regarding this way of doing business, cultural aspects, economic or competitive situation and some other factors that should be taken into consideration when opening a new market. The following bachelor thesis answer a question 'Does it worth to open a Subway restaurant in Belarus' and analyses Belarusian market in the context of doing business, examines the main challenges and existing fast-food competitors' business models. Also, the paper observes existing governmental regulations in Belarus concerning doing business as franchising company. The aim of the thesis is to create a business plan for opening a Subway restaurant. As a methodology survey research, in-depth interviews and case study research were used.

Preparation, presentation and ability to defend successful business plan indicates the prospect of a potential franchisee and increases the chances of being accepted into the network. Results of this paper reflect key aspects for investors: the amount of necessary investments, marketing and management plan, HR plan, Belarusian market prospective including risk analysis and the rationale for location point.

Key words: franchising, business plan, fast-food, Belarus, Subway

Abstrakt

AGEENKO, Maria. Podnikatelský plán, Otevření Subway v Bělorusku. [Bakalářská práce] Vysoká škola hotelová v Praze. Praha: 2017. Celkový počet stran 57.

Subway IP Inc. je největší světový řetězec rychlého občerstvení (podle počtů restaurací) s sendviči, saláty a pizzy, které má franšízové zastoupeny v 112 zemích. V současné době je Bělorusko jednou z mála zemí v Evropě, která nemá žádnou restauraci Subway, ale již jsou zde prezentovány další podobné řetězce rychlého občerstvení jako McDonalds, Burger King a KFC. Přestože se Bělorusko v dnešní době potýkalo s některými ekonomickými potížemi, má tato země perspektivu pro investory.

Franšizing se stal populárním obchodním modelem mezi fast-food restauracemi po celém světě, nicméně každá země má svoje specifika pro provoz tohoto typu společnosti. Mohou to být vládní předpisy týkající se tohoto způsobu podnikání, kulturních aspektů, hospodářské nebo konkurenční situace a některých dalších faktorů, které je třeba vzít v úvahu při vstupu do nového trhu. Následující bakalářská práce odpovídá na otázku: "stojí za to otevřít restauraci Subway v Bělorusku" a analyzuje běloruský trh v kontextu podnikání, zkoumá hlavní výzvy a existující obchodní modely konkurentů rychlého občerstvení. Dokument rovněž sleduje existující vládní předpisy v Bělorusku, které se týkají podnikání jako franšízové společnosti. Cílem práce je vytvořit podnikatelský plán pro otevření restaurace Subway. Jako metodika byl použit průzkum/ výzkum (?), detailní pohovory a výzkum případových studií.

Příprava, prezentace a schopnost obhájit úspěšný obchodní plán naznačuje vyhlídky potenciálního franšízanta a zvyšuje šance na přijetí do řetězce. Výsledky tohoto dokumentu odrážejí klíčové aspekty pro investory: množství potřebných investic, plán marketingu a řízení, plán HR, perspektiva trhu Běloruska včetně analýzy rizik a zdůvodnění místa určení.

Klíčová slova: *franšizing, podnikatelský plán, fast-food, Bělorusko, Subway*

Table of Contents

Introduction	8
Chapter 1. Literature review	11
1.1 Worldwide restaurant franchising	11
1.2 Specificity of fast-food business and restaurant franchising in Belarus.....	14
1.3 Subway Inc. global franchising.....	18
Summary	21
Chapter 2. Methodology	22
2.1 Introduction to the research	22
2.2 Form of research.....	22
2.3 Sampling method.....	22
2.4 Analysis of macro-economic factors	23
2.5 Competitor analysis	23
Chapter 3. Business plan.....	25
3.1 Market analysis	25
Market Segmentation and targeting.....	25
PESTEL-analysis.....	27
Competitive analysis.....	33
McDonalds	34
KFC.....	37
Burger King.....	40
3.2 Location planning.....	43
3.3 Management structure and personnel plan	49
3.4 Marketing plan	50
The Marketing Mix	51
3.5 Financials	52
Chapter 4. Recommendations and results.....	57
Conclusion	59
References.....	61
Appendix 1	68
Appendix 2.....	70

Figures and tables

Figure 1. Countries with Subway Restaurants	15
Figure 2. Typical Subway restaurant	16
Figure 3. Subway's main segments in Belarus	22
Figure 4. Belarusian GDP (4-year analysis)	24
Figure 5. Belarus Inflation rate. One year comparison	25
Figure 6. Population of Minsk	26
Figure 7. PESTEL-analysis.....	28
Figure 8. Belarusian fast-food market	30
Figure 9. Locations of McDonald's in Minsk	31
Figure 10. Strength and weaknesses of McDonalds in Belarus	33
Figure 11. Locations of KFC restaurants in Minsk	34
Figure 12. Strength and weaknesses of KFC in Belarus	36
Figure 13. Locations of Burger King restaurants in Minsk	37
Figure 14. Strength and weaknesses of Burger King in Belarus	38
Figure 15. Location of Leninski district on a map of Minsk	40
Figure 16. Location of the fast-food restaurants in Minsk	40
Figure 17. Presence of universities in Leninski district	41
Figure 18. Location of the commercial premise	41
Figure 19. Possible place for location of a restaurant	42
Figure 20. Scheme of the premise	43
Figure 21. Parameters of the premise	43
Figure 22. Personnel plan for the 1st year	45
Figure 23. Marketing Mix.....	46
Figure 24. Belarus tax overview	48
Figure 25. Start-up Expenses	49
Figure 26. Monthly expenses	50
Figure 27. Calculation of economic indicators	50
Figure 28. Sex of the respondents	64
Figure 29. Age of the respondents	64
Figure 30. Frequency of visiting	65
Figure 31. The possibility of visiting a new restaurant	65
Figure 32. Minsk districts	66
Figure 33. Percentage of respondents voted for a district	66

List of abbreviations

Belfranchising – Belarusian franchising (company)

GDP – gross domestic product

Inc. – Incorporation

KFC – Kentucky Fried Chicken (company)

kW – kilowatt (unit of energy)

m² – square meter (unit of area)

PESTEL – analysis of external environment of a company, that consider P – political, E - economic, S - social, T – technological, E – environmental, L – legal factors

VAT – a value-added tax

Introduction

Franchising is a market entry strategy that became popular among fast food industry. Recent rankings of the largest franchising chains made by Entrepreneur¹, Franchise Direct², Forbes³ and some other organizations and media⁴ show that the first positions occupied by restaurant chains such as McDonald's, Subway, KFC, Burger King and Pizza Hut. Although restaurant franchises are turn-key businesses, the potential investor should still have a well-elaborated business plan to be considered as a franchisee⁵. A business plan tool has entered the practice of franchising business not only as an instrument for strategic planning but also as the necessary document to conduct business negotiations with creditors, landowners and public authorities (ministries, committees, administrative controls, and so on). Planning helps to avoid such potentially dangerous mistakes as lack of capital for managing the restaurant, negative cash flow, the wrong approach to human resource and incorrect choice of site. It is especially important in commercial activities connected with world-class brands that have a valuable reputation.

The following paper primarily focuses on Subway Inc. - American fast food restaurant chain, operating on the principle of franchising and that mostly sells sandwiches. It is the largest network in the world by the number of restaurants. The aim of the following thesis is to create a business plan for opening a Subway restaurant in Belarus – one of a few European countries where this restaurant chain is not presented.

Even though franchising model requires to obey some rules to carry the brand name and reputation, each country has its own specificity that should be taken into consideration when opening a new business entity. It can be governmental regulations regarding this way of doing business, cultural aspects as well as an economic or competitive situation that can prevent the investor to follow the rules of franchisor. On the example of Belarus this bachelor thesis examines the main challenges that can appear, analyses Belarusian market in the context of doing business, observes governmental regulations in Belarus concerning doing business as a franchising company as well as existing on the market fast-food competitors' business models. The main question of the research: 'Does it worth to open a Subway restaurant in

¹ <https://www.entrepreneur.com/franchise500>; 2017

² <http://www.franchisedirect.com/top100globalfranchises/rankings/?year=2016>; 2017

³ <http://www.forbes.com/forbes/welcome/?toURL=http://www.forbes.com/best-worst-franchises-to-buy/&refURL=https://www.google.pl/&referrer=https://www.google.pl/>; 2017

⁴ <https://www.rankingthebrands.com/The-Brand-Rankings.aspx?rankingID=80&nav=category>; 2017

⁵ <https://www.thebalance.com/buying-a-restaurant-franchise-2888465>; 2017

Belarus?', as a methodology survey research and case study research were used as well as market analysis tools (PESTEL).

The bachelor thesis is comprised of four chapters. The first one is literature review that represents theoretical part of the paper and familiarize a reader with franchising strategy along with its peculiar aspects, advantages and disadvantages. This information will be helpful when developing a business plan and allows to be aware of the existing restrictions of this kind of company. As a part of the literature review, special aspects of doing restaurant business as a franchisee in Belarus were detected on the ground of existing governmental regulations and legislative acts, also with the help of analyzing the main fast-food players on the market. The chapter also contains a detailed description of Subway Inc., its history and main activities.

The second chapter is about the methodology that was used when preparing a business plan. For creation of the successful business plan, it is necessary to have a market research with the information concerning the tendencies, customer analysis in terms of demand and behavior, growth opportunities and competitor analysis. For this purposes PESTL-analysis was used, that intended to identify P-Political, E-economic, S-social and T-Technological aspects of the external environment. The survey was made that helped to identify the location of a new restaurant and customer preferences. Porter five forces analysis was also used as a technique for analyzing the industry and developing more accurate business strategy. Analysis of fast-food chains, presented in country, helped to examine competitors and offers recommendations for a business based on strength and weaknesses of the company.

The third chapter represents the business plan which contained of 6 core sections. The first section is the results of market analysis, which contain information about country attractiveness for doing business. The second one is competitive analysis - assessment of the strengths and weaknesses of current competitors on the market, that gives a valuable knowledge for next parts of business plan. Location determination is one of the most important part of business plan for franchisee, because it should follow the requirements of a franchisor as well as be situated in a strategically beneficial place. The next part is management structure and personnel plan that include the information about the hierarchy structure, number of employees and salary level. Next goes marketing plan that outline future business activities aimed at promotion and increasing of sales. The financial section

represents a calculation of the start-up requirements as well as key indicators. The final part of business plan is risk analysis in which the main potential threats are listed and assessed.

The fourth chapter contains final recommendations and results as well as answers the main question of the research. The findings of the research can be used by the potential investors of Subway Inc., by the representatives of the company, creditors, landowners and public authorities. Suggestions for future research include the possibility to create a plan for expansion of the chain in Belarus and entering the new markets.

Chapter 1. Literature review

1.1 Worldwide restaurant franchising

Charles W.L. Hill in his book “International business: competing in the global marketplace” determined franchising as a specialized business agreement of foreign market entry mode involving 2 parties (franchiser and franchisee), in which franchiser sells intangible property in the name of a trademark, logo, product line to the franchisee⁶. Franchisee (the party who buys the right to run the business under the franchisor’s trademark or brand) should follow some strict rules concerning doing business, quality of service and methods of operations and pay a “management” fee: royalty interest, a settlement for the consultancy services and percentage of the profit.

Franchising is a market entry strategy that can be simply adjusted to the specifics of the market and rapidly generate profit⁷. As stated by Arvind V. Phatak, Rabi S. Bhagat, Roger J. Kashlak⁸ there are some other advantages of using this market entry mode. This is an inexpensive way of penetration to the new market with a small level of political risk, meaning that an investment's returns couldn't suffer a lot because of political changes or instability in a country⁹. There is no need to create from scratch the business system as it is standardized by a franchiser, the same deal with a company technology and business processes. Since the franchisees must make a substantial financial investment in the business (most franchises run from about \$50,000 or \$75,000¹⁰), they are more likely to be better motivated and driven by maximization of sales and minimization of costs than are employed managers. Franchising popularity is largely explained by high stability among newly formed businesses: according to statistics, among the new companies (created from scratch), only 15-20% stay in the market for the first five years of operations, whereas among franchised small businesses approximately 70-80% developing successfully¹¹.

Fast-food industry makes heavy use of franchising. This fact can be supported by Franchise Direct¹² ranking of top global franchises, the first 5 positions of which occupied by fast-food

⁶ Charles W.L. Hill, “International business: competing in the global marketplace”, 9th edition Hill, 2012, p.495-496

⁷ Luthans F., Doh J.P. “International Management: culture, strategy, and behavior”, 7th edition, McGraw-Hill/Irwin 2009, p. 287

⁸ Arvind V. Phatak, Rabi S. Bhagat, Roger J. Kashlak “International management: managing in a diverse and dynamic global environment”, International edition 2009, p.217

⁹ <http://www.investopedia.com/terms/p/politicalrisk.asp>; 2017

¹⁰ http://www.franchising.com/howtofranchiseguide/the_cost_of_opening_a_franchise.html; 2017

¹¹ <https://rg.ru/2014/12/01/reg-sibfo/expert.html>; 2017

¹² World's leading online platform for entrepreneurs for connection with franchisers; 2017

companies including McDonald's, Subway, KFC, Burger King and Pizza Hut¹³. Such enterprises as Domino's Pizza, Taco Bell and Buskin Robbins also included into the ranking of 20 biggest worldwide franchisers. The crucial advantage of working on Franchise food market is the opportunity to open a restaurant or café using well-established methods of doing business. Most of the time, the business concept of successful franchisors includes extensive entrepreneurial experience as well as a complete set of tools and solutions necessary for successful work. The kitchen layout, the design of the spot, menu and brand reputation are already included into the price. Another significant advantage is the fact that opening a famous franchise restaurant such as McDonald's, Subway or KFC is not required enormous investments into the advertisements and marketing: these chain restaurants are well-known worldwide, which provides a solid flow of visitors. Considering the advantages listed above, it was decided to focus on opening a franchise restaurant.

The potential investor should also take into consideration some challenges that appeared when decide to purchase the franchise. Even though there is no need to invest heavily in marketing, some franchisers require to have a lot of money in cash, eliminating by that the risk of failure¹⁴. The initial fee can reach the figure of more than 300000\$ for a well-known brand. Many franchise sellers require investor have an extensive experience in the restaurant industry and open at list several restaurants. Dunkin Donuts, for instance, will except an investor "into a family" only after a minimum investment of five new restaurants at a time and a prospective franchisee should have a net worth of \$500000 and at least \$250000 in liquid assets (cash)¹⁵. Also for being considered, an investor should have a well thought out business plan for opening a restaurant. Business plan is a crucial foundation for starting any type of business and restaurants that are going to operate as a franchisee are not an exception. This tool can help to identify risks, challenges and opportunities to stakeholders. This plan is also required by a bank almost in any country to get a loan. Although acquiring a franchise means getting a successful and proven business idea, there are still some points to be elaborated beforehand including budgeting and calculation of financial requirements, location decision based on a market research, facilities, promotion and marketing programs as well as management and personnel plan. There is no doubt that business plans for franchising are different from business plans for companies created from scratch, because some basic elements such as

¹³ <http://www.franchisedirect.com/top100globalfranchises/rankings/>; 2017

¹⁴ <https://www.thebalance.com/buying-a-restaurant-franchise-2888465>; 2017

¹⁵ <http://dunkinbrands.force.com/internationalapplication>; 2017

mission, keys to success, technology already stroke out and will be obtained from a franchiser.

In accordance with articles presented by respectful online platforms for entrepreneurs such as Franchise Update Media¹⁶, Franchise Direct¹⁷ and Bplans¹⁸ basic business plans for franchising restaurants can be divided into seven core parts:

1) Description of business and products (company summary)

The first part of business plan aims to familiarize a stakeholder with a company and contains an informative description of products, its values, mission and main activities. This section gives a uniform understanding of business processes and can be useful when contacting with financial institutions, investors and media.

2) Market analysis, including competitive comparison

Second part include analyses of market total attractiveness, opportunities, trends and potential threats. This part shows a justification of market interest and need for this type of restaurant. Analysis of industry participants gives a valuable knowledge for pricing strategy, location determination, personnel plan and a solid ground for risk examination.

3) Location determination and facilities

For a potential franchisee, it is important to follow the requirements of a franchisor concerning the location of a restaurant. It should correlate not only with requests regarding facilities (space, availability of internet and telephone line, air ventilation system and so on), but also situated in a strategically beneficial place (for example with low level of competitors). Sometimes franchisers have special requirements to the form of ownership of the premises, it can be owned or used on a leasehold basis.

4) Management structure and personnel plan

Each company has its unique hierarchy based on its operations, as well as its own personnel plan. In many restaurants one of the biggest costs of running business accounts for employees (labor costs) because most of them have not only a staff of servers, but also cooks, key employees, managers, host staff and other support personnel¹⁹. Owners of a franchisee, who have personal stake in a company, can be also managers of a restaurant.

¹⁶ http://www.franchising.com/howtofranchiseguide/how_to_create_a_business_plan.html; 2017

¹⁷ <http://c1590022.cdn.cloudfiles.rackspacecloud.com/480d1f7b4fb306156b7291851e82d768.pdf>; 2017

¹⁸ <http://articles.bplans.com/start-franchise/>; 2017

¹⁹ <http://www.masterplans.com/help/business-plan-section-personnel-plan>; 2017

Personnel plan should include the total number of employees, hierarchy structure, salary level and calculation of total payroll (including bonuses and costs connected with hiring process).

5) Marketing strategy

The goal of the fifth part of business plan is to achieve a sustainable competitive advantage and market objectives by various marketing and promotional methods and activities.

6) Financials

Financial part consists of calculations of budgeting, start-up costs, income statements and cash flow forecasts, as well as balance sheets.

7) Risk analysis

The final part of business plan is risk analysis in which the main potential threats are listed and assessed.

1.2 Specificity of fast-food business and restaurant franchising in Belarus

The Republic of Belarus (hereinafter, “Belarus”) is a landlocked country in Eastern Europe bordered by Russia, Ukraine, Poland, Lithuania and Latvia with a population of 9465 thousand people²⁰. One of the biggest advantages of a geographic position of the country is the fact that the shortest and the most efficient transport routes between the CIS and Western Europe run across it. Belarus is a multinational country with an urban population of approximately 70%²¹. The capital and the most economically prosperous city is Minsk with the population more than 2 million people and where most of businesses are concentrated: contributions of this city to Belarusian budget is nearly 46%.

Minsk has the best in the country communication and transport infrastructure, advanced industrial, technological and scientific capabilities²² as well as developing socio-economic indicators. These factors can explain the fact that a lot of international companies, which entered Belarusian market, had decided to locate its business exactly in Minsk and the most famous brands in restaurant industry are not an exception: McDonalds, KFC, Hesburger, Burger King, Cinnabon, Papa John’s Pizza, T.G.I. Friday’s, and Texas Chicken are among them. It worth to mention that even though most of brands presented only in Minsk, some of

²⁰ <http://belarusfacts.by/en/belarus/about/>; 2017

²¹ [http://www.ey.com/Publication/vwLUAssets/ey-doing-business-belarus-2015-eng/\\$FILE/ey-doing-business-belarus-2015-eng.pdf](http://www.ey.com/Publication/vwLUAssets/ey-doing-business-belarus-2015-eng/$FILE/ey-doing-business-belarus-2015-eng.pdf); 2017

²² http://galleria-minsk.com/business/why_belarus/; 2017

them, for example McDonald's, started an expansion into regions²³. Nevertheless, due to some experts^{24,25}, Minsk remained unsaturated in terms of fast-food industry, while having more favorable climate for business development than regions.

Restaurant business Belarus began to emerge several years after the collapse of the USSR in 1993-1994 with opening of such cafeterias as "Steakhouse", "Bergamo", "Westphalia", "Spanish kutok" in Minsk²⁶. Belarusians were offered not only a new cuisine, but also a new level of service, which were much higher than during the soviet times. The next stage of Belarusian restaurant business development began in 1996 with appearance of fast-food industry. With the advent of McDonald's authorities (Ministry of Commerce) was needed to change the list of types of public catering enterprises and to add fast-food restaurants to it. Visitors were tempted by affordable level of prices and the service time proposed by this type of bistros, and the end of 1990s - the beginning of the 2000s brought along a whole group of new companies with the participation of both local and foreign businessmen.

Some experts believe, that nowadays Belarusian franchising market is at an early stage of development²⁷. It can be supported by the fact that the first regulations on franchising appeared only in February 2005, as a separate chapter in the Civil Code of Belarus (chapter 53, of December 7, 1998, No. 218-Z). Before the implementation of this chapter in the Civil Code (article 910) was stated: *"Franchising regulated by the law. Franchise contract can be concluded only in the cases directly stipulated by law"*^{28,29}. As cases "directly stipulated by law" were absent in the Belarusian law, economic entities were not entitled to enter franchise agreements with each other. At the same time the peak of entering of the international franchisors into the market of neighborhood countries (Russia and Ukraine) accounts for the beginning of the 2000s, and as Belarus was unpredictable in this context, the development of franchising was missing until 2005. Even though the first franchising contract has been registered in 2006, the fast-moving beginning of the formation of the Belarusian franchising market was 2011, when Association of franchisors and franchisees ("Belfranchising") appeared. The objectives of this non-profit organization are popularization and development

²³ <https://news.tut.by/society/406534.html>; 2017

²⁴ <https://news.tut.by/economics/450006.html>; 2017

²⁵ <https://probusiness.by/experience/16-10-veshchey-o-restorannom-biznese-kotorye-polezno-znat-ot-upravlyayushchego-caf-netto.html>; 2017

²⁶ http://bagb.by/one/main/main_153.html; 2017

²⁷ <http://delo.by/news/~shownews/franchaising-v-belarusi-dohodniy-biznes>; 2017

²⁸ <http://bel.biz/completed/management/rynki/kogda-v-belarusi-poyavyatsya-subway-baskin-robins-i-starbucks>; 2017

²⁹ <http://www.jurccatalog.by/articles/1896/beloruskij-franchajzing>; 2017

of franchising in Belarus, as well as the establishment of common standards for of franchising relations, protecting the rights and interests of the market participants³⁰.

Nowadays franchising in Belarus is developing rapidly. Since 2013 the international conference dedicated to doing restaurant business using franchising strategy in Belarus takes place as well as business meetings with the leaders from different countries³¹.

However, due to the peculiarities of Belarusian legislation, which distinguishes the package of documents for the franchise from the global practice, many contracts can face some difficulties when registering in the national Patent Authority³². For opening any kind of restaurant in Belarus the potential businessman needs to do the following procedures³³:

1. Pay registration fee equal to one base unit at any commercial bank. As for 1st February, this sum is equal to 23 Belarusian rubles³⁴ (approximately 11\$)
2. Obtain an approval of the company name with the Registry Administration ("Gorispolkom")

The procedure of names registration of profit and non-profit organizations, as well as the requirements are determined by the resolution of the Council of Ministers of Belarus of February 5, 2009 № 154 "On Approval of the Regulations on the coordination of names of commercial and non-profit organizations" and Resolution of Ministry of Justice of the Republic of Belarus on March 5, 2009 № 20 "On approval of names of legal entities"³⁵. The procedure usually takes 5-10 minutes and free of charge. Also, it is possible to check availability of a name online on the database³⁶.

3. Determine the location of the restaurant (sign a leasing agreement) and form of incorporation

Currently there are 4 types of legal entities in Belarus: joint-stock company that can be closed or open depending on distribution of shares, limited liability company and unitary company. The most appropriate type for restaurant business in Belarus and the most popular among key competitors (McDonald's, KFC and Burger King) is limited liability company because of available flexibility.

4. Business registration with the State Registry

³⁰ <http://belfranchising.by/associacia/>; 2017

³¹ http://naviny.by/rubrics/economic/2015/11/06/ic_news_113_466287/; 2017

³² <http://www.buybrand.ru/market-reviews/12937/>; 2017

³³ <http://www.doingbusiness.org/data/exploreeconomies/belarus>; 2017

³⁴ https://belarusbank.by/ru/press/spravochno/bazovaya_velichina; 2017

³⁵ <http://egr.gov.by/egrn/index.jsp?content=eJurReorgCreate>; 2017

³⁶ <http://egr.gov.by/egrn/index.jsp?content=findname>; 2017

The set of documents for the state registration can be provided to the registration authority in person or via the web portal of the Unified State Register of Legal Entities and Individual Entrepreneurs (requires a digital signature). Registration must be completed within 1 day by law.

5. Make a company seal
6. Purchase and register a Book of Registry of Inspections ("книга учёта проверок")
7. Register with the tax authority and obtain documents of registration of cash register equipment.
8. Coordination of working hours of a restaurant with the executive committee and with the internal affairs authorities.
9. Get the document on assignment of price category
10. Coordination of the question of waste disposal with authorities of the Ministry of Natural Resources and Environmental Protection, as well as with the state sanitary inspection.

For companies that want to operate as a franchisee there are one more procedure. In accordance with the legislation of the Republic of Belarus franchising agreement shall be registered in the Patent Office of the Republic of Belarus - National Intellectual Property Center. Appropriate information shall be entered in the National Register of contracts of complex business licenses (franchise) of the Republic of Belarus. Information on registered contracts, on changes to, supplements as well as their termination is published in the official bulletin of the patent authority. In case of absence of franchising contracts in Patent Authority they considered to be invalid. The cost of registration of agreement is equal to 10 dollars³⁷.

Thus, for opening a restaurant in Belarus, a business entity must obtain a sufficiently large number of different approvals, moreover some authorities require several visits that can be inconvenient for a foreign investor. In practice, in average it takes 6 month in order to get all the necessary documents. Nevertheless, if a company manage to overcome the administrative difficulties, it will be successful due to the low level of competition: the market is not saturated with international brands yet.

³⁷ <https://www.lexpatent.by/duty/contracts.php>; 2017

are already presented. Other reasons that could make Subway Inc to consider Belarusian market as potential are comparatively low level of competition, high demand and market size. Typical Subway restaurant is usually a small joint (80-120 square meters) with a transparent fridge-bar (see figure 2), inside which there are ingredients for sandwiches (subs).

Figure 2. Typical Subway restaurant



Source: The Telegraph, 2017

Also, Subway can appear at food courts as 40-50 square meters' restaurant. Subway restaurant's menu includes hot and cold sandwiches, salads and rolls, hot and cold drinks, pastries (there are 12 mandatory items of sandwiches, salads and rolls⁴²). In addition to the proposed menu there are optional one, which, depending on the characteristics of the customers may include soups, baby food, desserts, fresh juices. However, it is recommended to use an additional menu not earlier than in a year of stable operations. During this time, the franchisee can study the needs of its visitors and highlight the target audience. Only high-quality meat and fish components as well as fresh vegetables are used during the process of

⁴² <http://delaybiznes.com/franshiza-subway/>; 2017

cooking. The bread for the sandwiches is baked in a restaurant. All dishes are prepared in front of the visitor with his personal participation.

It worth to say that the equipment provided by Subway is highly reliable and vandal resistant⁴³. Behind the counter there are stoves where bread is baked and subs are warmed up. Also, there are some fridges with soft drinks, as well as refreshing vending machines. In general, restaurants have not very many tables (on average about 10-15), some joints have a narrow table along the wall and bar stools: this approach help to use a place very efficiently and serve more clients. The formula of "Subway" business is one of the simplest among global brands in fast-food restaurants: there is no room for "hot food", which means that there are no chefs and special equipment, which allow sufficiently decrease power consumption and save costs. Service technology allows preparing a sandwich on the order of a customer, which creates the possibility of service individualization.

Subway franchising program gives comprehensive support to franchisee and helps with supply of products, logistics, design of a restaurant and management. Every franchisee takes 2-weeks training course before opening a restaurant and gets an access to the database of electronic marketing materials⁴⁴. Franchisee is responsible for:

- location planning according to requirements (renovation and redecoration);
- equipment purchase, its transportation and assembling;
- recruitment process
- management
- market research

There are following main advantages for investor:

1. High awareness of Subway brand among the target audience;
2. The lowest amount of investment among the internationally famous brands of fast food
3. No requirements of experience in restaurant business for a potential franchisee.
4. Return on investment within a reasonable time (3-5 years);
5. High business sustainability in a period of economic crisis;
6. Simplified registration procedure in regulatory authorities due to the absence of a kitchen;
7. Efficient support from the central office at all stages of opening and running a business.

⁴³ <http://rusfranch.ru/franchising/history/sabvey/>; 2017

⁴⁴ <http://subway.ru/upload/brochure.pdf>; 2017

Summary

Franchising - a specialized business agreement of foreign market entry mode is practiced on a wide scale among fast-food companies. During the literature review it was identified that this type of market entry strategy allows to an investor to generate profit faster than by opening a restaurant from scratch. According to statistics high stability among newly formed businesses as franchisees is presented: it's safer to follow the well-established rules concerning doing business and methods of operations than develop your own. Considering these advantages and some others, it was decided to focus on opening a franchise restaurant, namely Subway - the largest worldwide chain with submarine sandwiches, which has not presented yet on Belarusian market. The second part of the Chapter 1 contains some information concerning the specifics of the target market: a history of development of the restaurant industry, a legislative review and main challenges. As a conclusion, it was established that there is a high level of bureaucracy in the country but if an investor manages to overcome the administrative difficulties, the company will be successful due to the low level of competition. The third part of a chapter covers Subway company description as well as its history, main characteristics and franchising requirements that will be used in the business plan.

Chapter 2. Methodology

2.1 Introduction to the research

To answer the main question of the following paper “Does it worth to open a Subway restaurant in Belarus?” firstly it is important to make a market research. Gathering information about the potential customers, main competitors and growth opportunities is an essential part of business planning because it helps to get prospects of the market. Market research provides important information for identification and analyzes of market needs, market size and the industry in general. It allows potential investor to determine the feasibility of a business beforehand and prevent risks⁴⁵. Besides the primary aim of the market research – current tendencies and consumer needs, the outcomes of the it can be helpful for location planning, marketing plan and risk analysis.

2.2 Form of research

Market research involves two categories of data: primary and secondary. The first kind of information should be get directly from potential consumers through surveys, focus groups and other methods. In this paper the following methods were used:

- Surveys: target audience survey based on a strictly specified form (vide Appendix 2).
- In-depth interviews: conversations with some representatives of the target audience on a specific list of open questions (vide Appendix 1).
- Observations: assessment of the competition restaurants through personal observation (vide “Competitive analysis”)

Another type of information, namely secondary or 'desk research', involves usage of information previously researched by anyone else for other purposes and which is publicly available. Secondary sources could include scientific research reports available through educational institutions or via Internet, media (newspapers, magazines and journals) as well as government and NGO statistics. Every source that were used in purpose of this business plan is presented in the references list.

2.3 Sampling method

For the survey nonprobability quota sampling method was used and participants were selected not randomly. Subway’s target audience is an age group between 18 to 39 years, mostly the people who are either students or employees⁴⁶, it is important for this age category to prevail in a survey. Also, it is essential to survey match the same number of males and females for

⁴⁵ <https://www.entrepreneur.com/encyclopedia/market-research>; 2017

⁴⁶ <https://marketing-team-project.wikispaces.com/Subway+Report>; 2017

making the sample representative. Thus, 112 persons were participated in a survey: 52 males and 59 females, whereby more than 75% of people were in a target group (between 18 and 39 years old).

2.4 Analysis of macro-economic factors

For evaluation of the key market trends in the industry and determination of the threats and opportunities, methods of PEST Analysis were used. It is a simple and convenient method for the analysis of the macro environment (external environment) of the enterprise. PEST analysis is an acronym for the following indicators of the industry: political (P), economic (E), the socio - cultural (S) and technology (T). For more accurate research it was decided to add Environmental (E) and Legal (L) factors.

The results of this analysis will help to development tactical actions that can reduce the negative influence of the factors on the company's operations, maximize profits and minimize risks.

2.5 Competitor analysis

Market research include analysis of existing competitors for identification their strengths and weaknesses. For this evaluation three main competitors were identified, namely KFC, McDonalds and Burger King. These companies were analyzed and ranked according the following factors:

- Service and customer orientation (speed and quality of service)
- Economies of scale (number of restaurants, presence on regional markets)
- Location (efficiency of location, traffic flow)
- Brand recognition (popularity among citizens)
- Atmosphere and comfort
- Availability of “drive-through” (convenient purchasing of food without leaving a car)
- Cleanliness (which includes toilets)
- Assortment
- Availability of delivery service
- Availability of free refill system of beverages
- Availability of wi-fi and technological infrastructure
- Opening hours
- Existence of a discount cards or special promotions
- Time of appearance on the Belarusian market

Chapter 3. Business plan

3.1 Market analysis

Fast food culture is growing rapidly among the Belarusian population since the early 90s. The main advantages of fast-food restaurants are: fast service, affordable price, varied menu and nice atmosphere. With the acceleration of the life people prefer quick snacks to a good meal. Per the expert from Colliers International⁴⁷, fast-food industry has stable positions during crisis, as people tend to visit cheaper restaurants. Nowadays in Belarus such kinds of restaurants are in more demand than expensive dinings as there are not many affluent people who will keep occupancy rate high, as well as turnover. Moreover, Belarusian market is not saturated yet, as it can be seen from the queues to fast food restaurants. This fact also can be supported by the fact that in the neighborhood countries such as Lithuania, where the population is three-fold lower than in Belarus, the number of McDonald's restaurants is higher⁴⁸. One more reason of market attractiveness can be considered the growing number of malls, that have special food courts, where the price per leasing of premises is lower than in the common buildings. According to 'Belfranchayzing' Association, the percentage of franchises catering in Belarus is only 12% and the most attractive region for the development of the restaurant business in Belarus is the city of Minsk where consumers receive the highest income in the country and allocate to the catering services the largest percentage of their expenses. However, the perspective, from their point of view, of Belarusian regions is also promising, as the presence in of major brands there is limited, and the potential demand is measured as high.

Market Segmentation and targeting

Subway's main consumers are young people at the age of 18-35, who live active life and health concerned. They can be divided into 3 core groups: students and teenagers that consider this place as an affordable; office workers who visit it because of a quick service and tourists for grabbing a meal.

⁴⁷ <https://news.tut.by/economics/450006.html>; 2017

⁴⁸ <http://www.15min.lt/verslas/naujiena/bendroves/vilniuje-netrukus-bus-atidarytas-dar-vienas-mcdonald-s-restoranas-663-484966>; 2017

Figure 3. Subway's main segments in Belarus

Group of customers (segment)	Their needs and interests (segment profile)
Students	<p>Young adults (18-23) who would consider Subway restaurant as:</p> <ul style="list-style-type: none"> • a place for an affordable and quick meal; • a place for meeting friends and communication; • a place for work. <p>The main interests: affordable price, service rate, convenient location, availability of wi-fi, good atmosphere.</p>
Teenagers	<p>Young people (16-18) who would consider Subway restaurant as a place for spending time with a friends or relatives.</p> <p>The main interests: affordable price, service rate, availability of wi-fi, good atmosphere.</p>
Office workers	<p>Office workers would consider Subway restaurant as a place for a quick meal.</p> <p>The main interests: convenient location, quality of food and service, service rate, availability of wi-fi, good atmosphere.</p>
Tourists	<p>Tourists would consider Subway restaurant as a place for a quick and affordable meal.</p> <p>The main interests: affordable price, service rate, convenient location, availability of wi-fi, good atmosphere.</p>

Source: own

As for 2012, there were more than 223000 students in Minsk, average number of tourists in recent years is more than 440000 per year⁴⁹ and this number is going to grow in the future due

⁴⁹ <https://news.tut.by/society/409521.html>; 2017

to the implementation of visa-free access to the country⁵⁰. These numbers make a good base for opening a Subway restaurant.

PESTEL-analysis

With the help of PEST-analysis - analysis of external environment it can be possible to identify the main problems (P – political, E - economic, S - social, T - technological), that business can faced in the market. To consider the legal and environmental side of doing business in Belarus, it was decided to add them as additional factors (L) and (En).

P (political factors)

P1) Uncertainty of legislation: civil and tax legislation change annually; some amendments can be made as well as new legal instruments.

P2) High corruption level in the country.⁵¹ Empirical studies show that the higher the level of corruption, the lower the ratio of investment to GDP⁵², moreover there is a direct correlation between the level of corruption and the size of the shadow economy. At the same time, the study by IPM Research Center⁵³ shows that in general, small and medium-sized enterprises in Belarus assess corruption in Belarus as moderate.

P3) Stable internal political situation, the absence of prerequisites for conflicts of an ethnic or religious nature.

P4) Pressure from the government and its interference in business.

E (economic factors)

E1) Due to the report “Doing business in Belarus” created by The World Bank⁵⁴ Belarusians have upper medium income, which can lead to a good level of purchasing power.

E2) Recession of the economy

⁵⁰ <http://mfa.gov.by/en/visa/visafreetravel/e0ced19bb1f9bf2c.html>; 2017

⁵¹ <https://www.transparency.org/country/BLR>; 2017

⁵² <https://ej.by/news/economy/2014/12/04/kak-korrupsiya-vliyaet-na-belorusskiy-biznes.html>; 2017

⁵³ <http://www.research.by/publications/dp/pdp1103/>; 2017

⁵⁴ <http://www.doingbusiness.org/~media/wbg/doingbusiness/documents/profiles/country/blr.pdf>; 2017

Figure 4. Belarusian GDP (4-year analysis)



Source: Trading Economics, 2017

According to Trading economics agency⁵⁵, in 2015 the Gross Domestic Product (GDP) in Belarus was worth approximately \$55 billion. As it can be observed on the diagram, after 2013 and 2014's retardation in progress, the Belarusian economy went into a recession in 2015, the first since 1995. Nevertheless, due to The World Bank report⁵⁶ the pace of the recession has slowed hat can be supported by a moderation of the output decline in business and a progress in agriculture and several service areas.

E3) The tendency to inflation decreasing

⁵⁵ <http://www.tradingeconomics.com/belarus/gdp>; 2017

⁵⁶ <http://www.worldbank.org/en/country/belarus/overview#3>; 2017

Figure 5. Belarus Inflation rate. One year comparison



Source: Trading Economics, 2017

E4) The restaurant industry in Belarus is still on the stage of development, which means low level of competition.

E5) Poorly developed financial market⁵⁷, which leads to inefficiency of economic.

E6) Per a restaurant expert⁵⁸, Belarusians prefer fast food restaurants to common ones because of lower prices and their middle level of purchasing power.

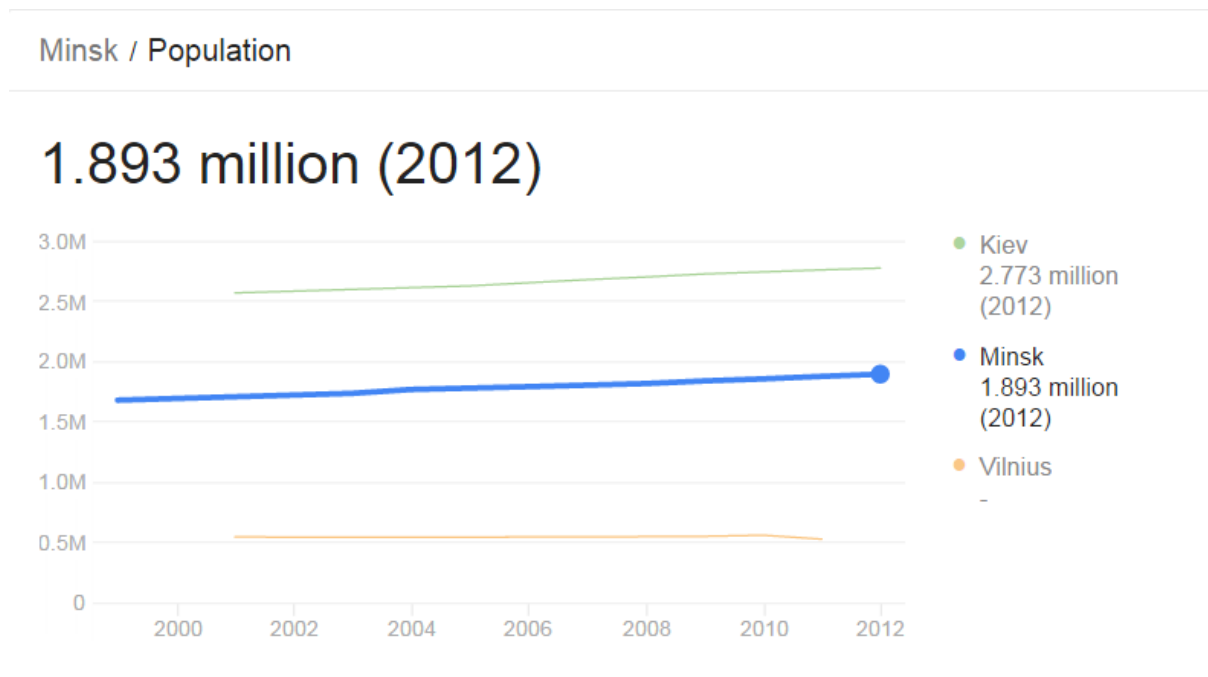
S (social factors)

S1) Minsk population growth that increase the number of potential visitors

⁵⁷ <https://utmagazine.ru/posts/8978-biznes-v-belarusi>; 2017

⁵⁸ <https://realt.onliner.by/2015/03/23/krizis-kafe>; 2017

Figure 6. Population of Minsk



Source: Google, 2017

S2) Growing tendency of going out for a quick meal especially among young people and office workers⁵⁹.

S3) Trend to healthy lifestyle. Growing consumption of healthy food, which can be a useful aid for Subway, the company that positioning itself as a healthy fast-food.

T (technological factors)

T1) Information and communication accessibility. Rapidly increasing number of Internet users in the country that allows to decrease marketing and promotion costs⁶⁰.

E (environmental factors)

En1) Necessity to the owner of a restaurant to enter a contract with Housing and communal service agency concerning the waste removal from a restaurant.

⁵⁹ <https://realt.onliner.by/2015/03/23/krizis-kafe/>; 2017

⁶⁰ <http://providers.by/2016/03/news/belstat-pokazal-statistiku-po-internetu-i-polzovatelyam-za-2015-god/>; 2017

L (legal factors)

L1) The tendency to simplification of administrative procedures for businesses by improving legislation on administrative procedures with regard to legal entities and individual entrepreneurs; carrying out work to abolish unnecessary, irrelevant and inefficient administrative procedures for business⁶¹.

L2) Several special legal privileges are granted to a foreign investor: the exemption from the payment of profit tax from production activities for three years, exemption from payment of customs duties and value added tax when importing to Belarus of fixed assets, intended for the formation of the statutory fund, license-free export of own production and import for own production, freedom in selecting suppliers of goods and setting prices for products of own production⁶².

Per Cadle, J. Business Analysis Techniques “72 Essential Tools for Success”⁶³ it’s important to consider factors of PESTEL-analysis taking into account duration of influence, type of impact, dynamic and the importance of each factor separately. Legend for the figure 5 is given below.

Duration of influence:

- 1) A factor currently has an impact on business (stop influencing within 12 months) - N;
- 2) A factor currently has an impact on business and will continue to make an impact in the future - N \ F;
- 3) Will make an impact in the future - F;
- 4) Short-term impact - I

Type of impact: positive - "+"; negative - "-".

Dynamic of impact:

- 1) A factor’s impact is increasing during the time - ">"
- 2) Affects constantly “=”;
- 3) A factor’s impact is reducing during the time "<"

Influence on business:

CRITICAL: threaten the existence of the company; VERY IMPORTANT: cause changes in the company's activities; IMPORTANT: involve some changes in the activity of the company;

⁶¹ <http://www.doingbusiness.by/v-belarusi-sozdana-rabochaya-gruppa-po-uproscheniyu-administrativnih-procedur-dlya-biznesa/>; 2017

⁶² http://czech.mfa.gov.by/ru/bilateral_relations/trade_economic/ba47e7a49a272cce.html; 2017

⁶³ Cadle, J., Paul, D. and Turner P. (2010), Business Analysis Techniques, 72 Essential Tools for Success. BCS The Chartered Institute for IT.

SIGNIFICANT: has an influence, but does not require significant changes;
 UNIMPORTANT: there is no significant impact on the company.

Figure 7. PESTEL-analysis

Factor		Time	Type	Dynamic	Influence on business
	P1	F	-	=	IMPORTANT
	P2	N \ F	-	<	VERY IMPORTANT
	P3	N \ F	+	=	UNIMPORTANT
	P4	N \ F	-	=	IMPORTANT
Economic	E1	N \ F	+	=	UNIMPORTANT
	E2	N \ F	-	<	SIGNIFICANT
	E3	N \ F	+	>	SIGNIFICANT
	E4	N \ F	+	<	SIGNIFICANT
	E5	N \ F	-	<	SIGNIFICANT
	E6	N \ F	+	=	SIGNIFICANT
Social	S1	N \ F	+	>	SIGNIFICANT
	S2	N \ F	+	>	SIGNIFICANT
	S3	N \ F	+	>	SIGNIFICANT
Technological	T1	N \ F	+	>	SIGNIFICANT
Environmental	E1	I	-	=	SIGNIFICANT
Legal	L1	F	+	>	SIGNIFICANT
	L2	I	+	=	SIGNIFICANT

(Source: own)

In view of this more positive than negative factors were identified, such as a tendency to simplification of administrative procedures, appearance of more business-friendly regulations, growing number of potential consumers, unsaturated market and the low level of competition in comparison with neighborhood countries. But it's more important to take into consideration

negative factors of external environment such as high corruption level in the country, possible pressure from the government and uncertainty of legislation. These aspects can be dangerous for the company existence and to prevent them company can use the following strategies:

1. Strict statutory and contractual compliance during every day operations.
2. To develop a policy of 'zero-tolerate' to corruption (by corporate leadership) and if necessary apply to court. Following the experience of Finnish companies operating in Russia⁶⁴ the strategy of not paying even small bribes can be successful and help to maintain a reputation of a 'hard nut to crack'. This approach requires costs of lawyer services to be included into financial planning.
3. Maintained transparency inside of a company.

Competitive analysis

Restaurant industry in Belarus presented by several types of public catering facilities and regulated by Law from 01/08/2014 number 128-W "On state regulation of trade and public catering in the Republic of Belarus". According to this, catering facilities are classified by type to restaurants, cafes, bars, snack bars, buffets, cafeterias, cookery stores and cooking billet facilities (guilds)⁶⁵. Because of Subway is going to be classified as a quick-service restaurant with similar price category and market segments, 3 direct competitors were determined on the market: McDonalds, Yum Brands, Inc. (KFC) and Burger King. These restaurants have similar strategies on the market and it's important to evaluate their strengths and weaknesses.

The most popular online resource by media outreach⁶⁶ 'onliner.by' undertook a study among Minsk residents to determine the most popular fast-food⁶⁷. First place with a significant margin took McDonald's: approximately 16000 people voted for this restaurant. Second place filled by KFC with 4677 votes, and the third place took Burger King with 3134 approvals.

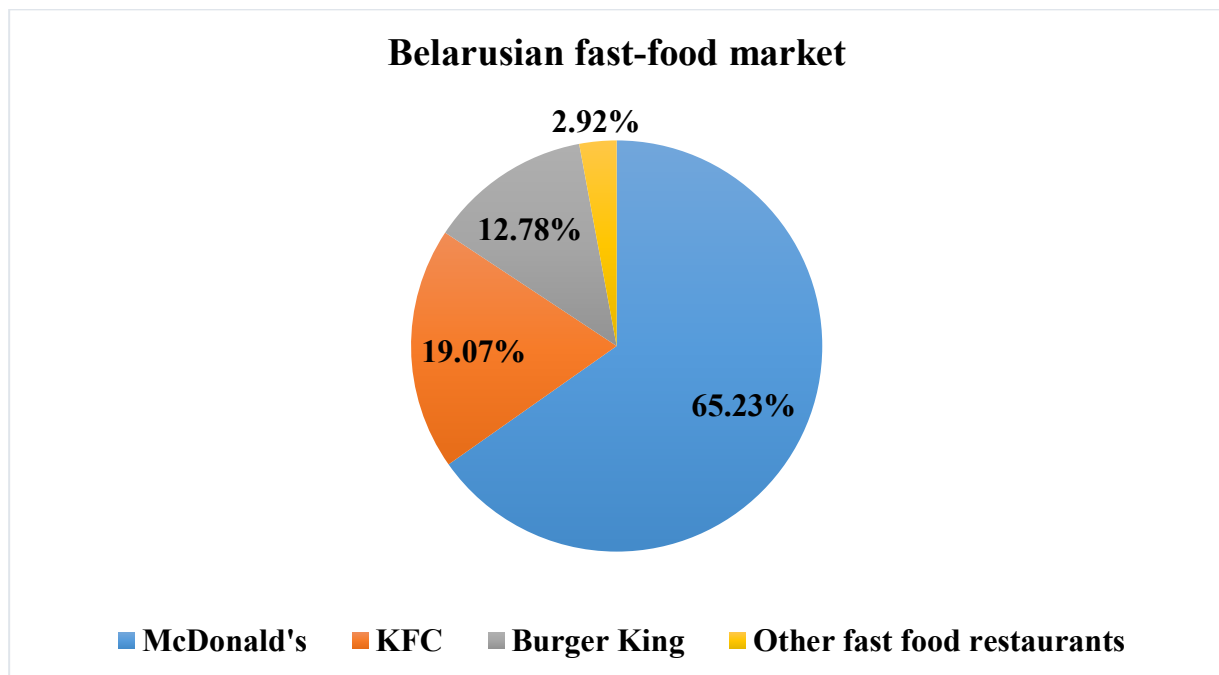
⁶⁴ <http://www.cnbc.com/id/100805382>; 2017

⁶⁵ <http://www.kgkgomel.gov.by/content/klassifikaciya-obektov-obshchestvennogo-pitaniya>; 2017

⁶⁶ <http://marketing.by/analitika/top-30-saytov-po-okhvatu-v-belarusi-v-iyune/>; 2017

⁶⁷ <https://realt.onliner.by/2016/10/14/pravda-fastfood>; 2017

Figure 8. Belarusian fast-food market



Source: own

McDonalds

One of the famous fast-food franchising company is McDonald's - the worldwide leader in food service retailing, 80% of its restaurants operates as this form of business in more than 100 countries⁶⁸. McDonald's hamburgers are produced in the same and standardized way everywhere, but adapted to the specificity of the country and culture, for instance absence of beef in India⁶⁹. Globally McDonald's proposes four forms of franchises: traditional restaurant (a full-menu restaurant), satellite locations (in educational establishments, airports and so on), Business Facilities Lease (conditional option to purchase) franchises and Small Town Oil/Retail locations (fuel stations or convenience stores). It should be noted that McDonald's and some other fast-food chains also operates as a joint venture in some countries: acting as a business entity established by several parties from different countries. In the book "Foreign Operation Methods: Theory, Analysis, Strategy" a good example of McDonald's geographical expansion was made: the company successfully entered Japanese market using Joint Venture arrangement, achieving a high level of profits⁷⁰. Belarussian McDonalds operate as a Limited Liability Company "KSB Victory Restaurants", which is owned by McDonalds Corporation.

⁶⁸ http://corporate.mcdonalds.com/content/mcd/franchising/international_franchising.html; 2017

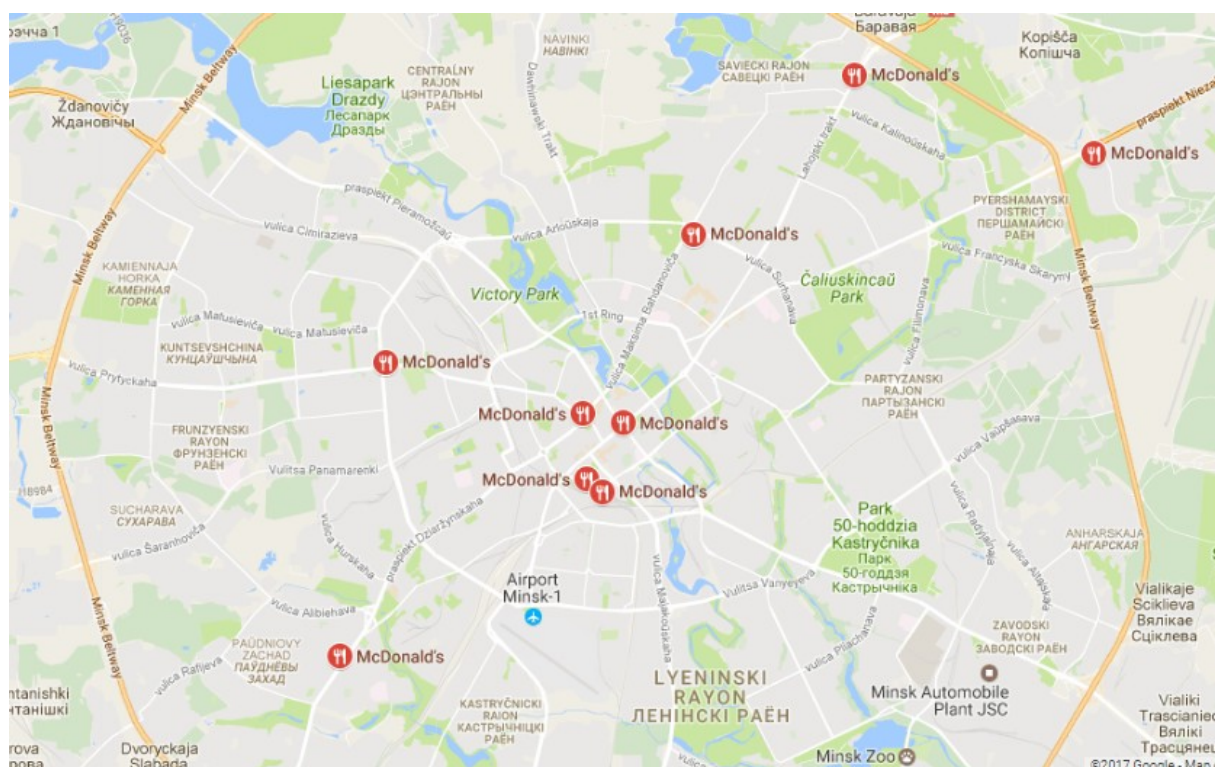
⁶⁹ Philippe Lasserre 'Global Strategic Management' 2nd edition, p. 224

⁷⁰ Lawrence S. Welch, Gabriel R. G. Benito, Bent Petersen "Foreign Operation Methods: Theory, Analysis, Strategy" p. 57

The first restaurant in Belarus was opened in 1996, 10th of December as the second in the former Soviet Union region after Moscow (excluding Baltic). As in that time it was impossible to operate as a traditional franchising fast-food restaurant, McDonald's entered a Belarusian market as a foreign subsidiary and directly owned by McDonald's Corporation⁷¹, moreover, it remained as foreign unitary enterprise until the present day. Due to the Civil Code of the Republic of Belarus⁷³, unitary enterprise is a commercial organization, that not endowed with the ownership of the fixed assets of its owner. Property unitary enterprise is indivisible and cannot be distributed by shares, unit shares or between employees of the company. The unitary enterprise can be created only by one founder - individual or legal entity (national or foreign, as in case of McDonald's in Belarus). The minimum size of the statutory fund of a unitary enterprise is not defined by the legislation and can be set by a founder.

Currently (as of the December 2016) McDonald's presented in 2 Belarusian cities: Minsk and Vitebsk. It should be noted that there are nine restaurants in the capital (in Minsk) and one in Vitebsk – administrative center of Vitebsky region.

Figure 9. Locations of McDonald's in Minsk



Source: Google Maps, 2017

⁷¹ <http://pravo.kulichki.com/dop/plan/plan0333.htm>; 2017

⁷² <http://rep.polesu.by/bitstream/112/8842/1/150.pdf>; 2017

⁷³ http://kodeksy-by.com/grazhdanskij_kodeks_rb/113.htm; 2017

Moreover, as it was explained by the financial director of the company Ilya Krayko, McDonald's is going to double the quantity of the restaurants in Belarusian market until the end of 2017⁷⁴. This decision was necessary as the flow of visitors of restaurants in Minsk continuously increasing and regional market is attractive as well for entering. In 2014, each restaurant in Belarus managed to serve 1.3 million visitors as an average. For comparison, in Europe this figure is approximately 500 thousand people per year⁷⁵. Presently the company is looking for suitable locations and negotiates with the authorities in regional cities.

According to the quality manager Oksana Soroka, 75% of food suppliers of restaurants operating on a territory of Belarus are national or Russian⁷⁶. Moreover, the number of domestic suppliers is growing: since 2013, production of Slonim meat processing plant is present not only in Belarus, but also in Russian and Azerbaijani McDonald's restaurants. Agricultural complex "Zhdanovichi" supplies cucumbers and cherry tomatoes, Publicly Held Corporation "Savushkin product" and Joint Limited Liability Company "Danone Pruzhany" – milk and dairy products. Since 2015 Belarusian McDonalds use mozzarella that produced by "Turov Dairy Plant". For the past six years, all restaurants have used chicken eggs from "Soligorsk poultry farm" that established a high-tech production line for cleaning and disinfection of eggs, according to McDonalds standards. The company monitors the entire supply chain from farms to restaurants for ensuring the safety and quality of products. Products are delivered to restaurants by specialized transport, which allows to maintain the required temperature in trucks (varying from +4 to -23 degrees). In each of these trucks the company installed loggers - device for controlling temperature during transportation. In Belarus, for quality control reasons McDonalds uses its own distribution center, which delivers food to restaurants.

⁷⁴ http://naviny.by/rubrics/economic/2015/06/16/ic_news_113_459345; 2017

⁷⁵ <http://koko.by/minsk/13137.html>; 2017

⁷⁶ <https://goo.gl/nLTqeo>; 2017

Figure 10. Strength and weaknesses of McDonalds in Belarus

Strengths	Weaknesses
1. The most recognized brand name among fast-foods	1. Unhealthy fast-food (focus only on burgers and fried food)
2. The oldest fast-food restaurant on the market and the most reliable	2. Absence of delivery service
3. Collaborations with Belarussian factories	3. Absence of the possibility to make your own sandwich
4. Land owner	4. Long queues at the cash desk most of the time
5. Locally adapted food menu (national cuisine presence)	5. “Hoary” restaurant, probably needs some innovations
6. Availability of Wi-Fi on every restaurant	6. No free refill system of beverages
7. Entered to the regional cities (Vitebsk)	
8. Lean business processes (own distribution center)	
9. Possibility to organize children's holiday	
10. Good quality and rate of service in comparison with the main competitors	
11. Efficient locations (railway station, city center etc.)	
12. Availability of “drive-through”	

Source: own

KFC

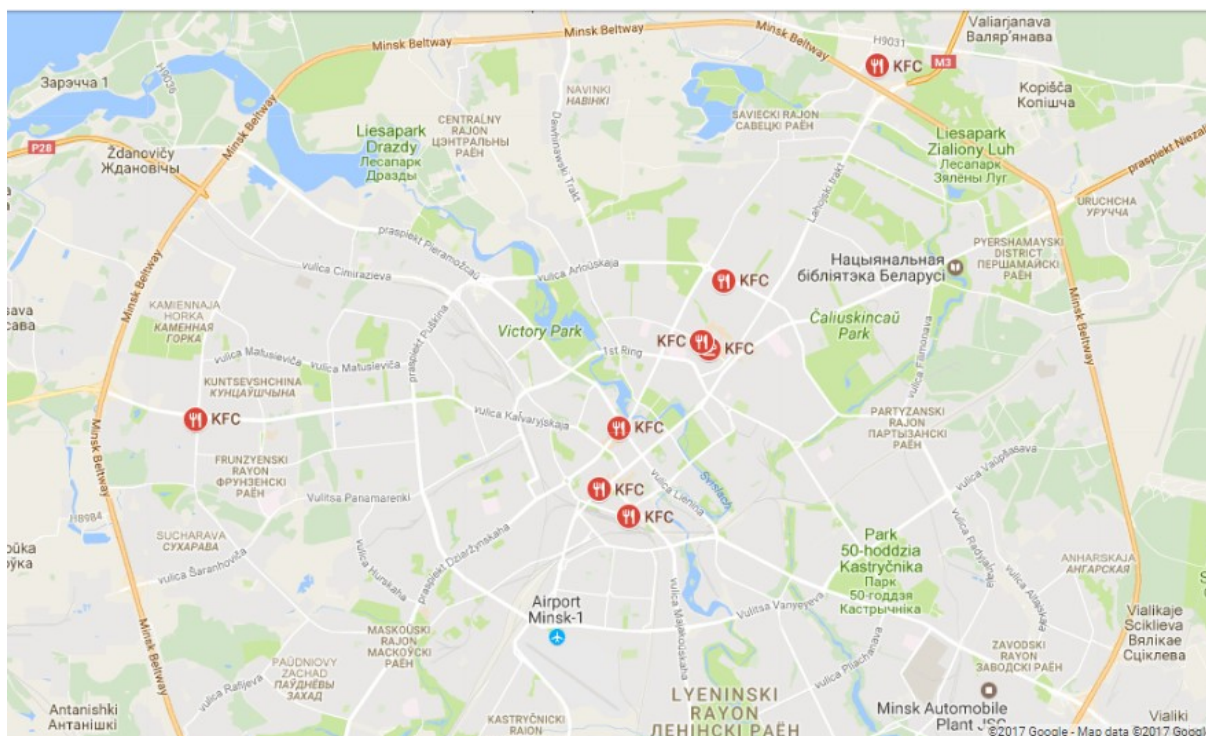
Kentucky Fried Chicken Corporation, more commonly known as KFC, is an American franchisor and fast food restaurant chain that specializes mostly in fried chicken. The KFC system presented in more than 115 countries and territories around the globe⁷⁷. KFC’s parent

⁷⁷ <https://www.kfc.com/about/franchising>; 2017

company is Yum! Brands, Inc., the world's largest restaurant company in terms of system restaurants, has over 43,500 restaurants in more than 135 countries and territories. Yum! Brands has three brands in total, besides KFC, company hold Pizza Hut – restaurants specialized in pizza and Taco Bell that serve a variety of Texan-Mexican foods.

Currently KFC has seven restaurants in Minsk (picture) and one in Brest owned by 2 franchise holders: LLC "BelFood Service" and "Creative Foods East"⁷⁸.

Figure 11. Locations of KFC restaurants in Minsk



Source: Google Maps, 2017

The first bistro was opened in October 2015, by the end of 2018, the company plans to open about two dozen restaurants all over Belarus. The company chose Brest as a first regional location because of low competitive level and awareness about the brand due to the proximity to Poland, where KFC is widely presented.

"We want to have at least 15-20 restaurants within two-three years' period. The potential of the country is estimated by at least 35 restaurants. I am absolutely sure that Belarus will become a leader in the number of our restaurants in the number of visitors and the quality of the product", - says Olga Eliseeva, Director of Operations YUM! Brands Russia (owner of KFC brand)⁷⁹.

⁷⁸ <https://probusiness.by/strategy/2136-kfc-idet-v-regiony-set-nabiraet-personal-v-breste.html>; 2017

⁷⁹ http://naviny.by/rubrics/economic/2015/11/12/ic_articles_113_190251; 2017

Projects that KFC is planning to launch in Belarus differ by size and by the format of the service. The company is focused on development through the lease of premises, because it requires less investment and allows to develop faster. The Company considers 3 types of restaurants:

1. “Drive Thru”. Buying land for the construction of the restaurant, serving customers in cars.

Area: 1 800-5 000 m².

2. “In Line”. The land on the ground floor, separate entrance from the main street. It is desirable to be on the corner.

Area: 300-500 m².

3. “Food Court”. Rental of premises in the shopping center in the area of the food court.

Area: 120-140 m².

As for the 1st of September 2016, a workforce of KFC in Belarus consists of 237 people⁸⁰. The Yum! Brands’ strategy requires not to compete with other franchisees but help each other in development by active communication and support. Belarusian KFC is in touch with Russian one some management positions require training in Moscow.

⁸⁰ <https://probusiness.by/markets/2593-sergey-dutin-kfc-my-naceleny-stat-1-v-segmente-bystrogo-pitaniya-v-belarusi.html>; 2017

Figure 12. Strength and weaknesses of KFC in Belarus

Strengths	Weaknesses
1. Yum! Brands company own 3 brands: KFC, Pizza Hut and Taco Bell that can help to stay strong in the market in the future and open some new restaurants	1. Unhealthy food menu
2. Strong brand: 2 nd largest food seller next to McDonalds	2. The narrow range of food
3. Already entered to the regional cities (Brest)	3. Absence of delivery service
4. Availability of “drive-through”	4. High employee turnover
	5. Narrow specialization (only chicken)
	6. Wi-fi available only in some restaurants
	7. No free refill system of beverages
	8. The shortest working hours in comparison with the main competitors (some restaurants are working until 10 p.m.)

Source: own

Burger King

Burger King (BK) Corporation is an American global chain of hamburger fast food restaurants. Founded in 1954, Burger King is the second largest fast food hamburger chain in the world⁸¹.

The first restaurant was opened in Minsk in 2015, currently there are 7 restaurants in Minsk⁸². Burger King plans to open its facility in Mogilev and Grodno in the nearest future⁸³⁸⁴.

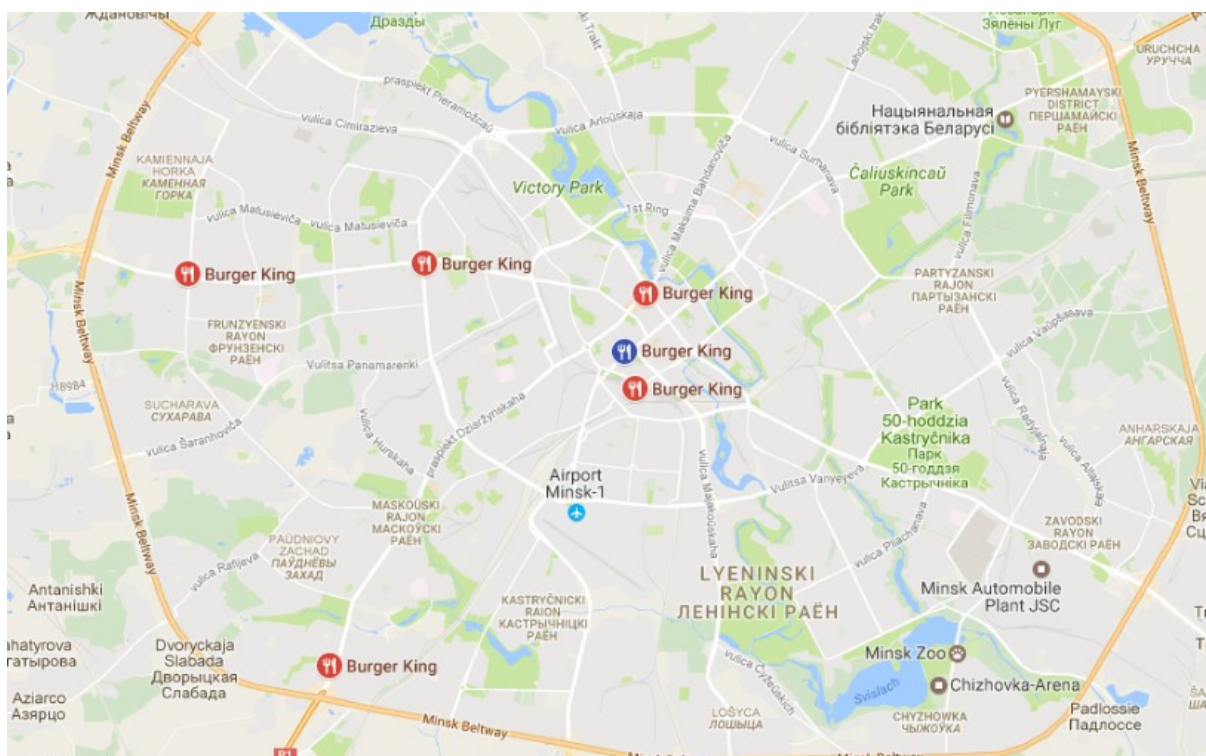
⁸¹ <http://www.bk.com/about-bk>; 2017

⁸² <http://burger-king.by/restaurants>; 2017

⁸³ <https://charter97.org/ru/news/2016/11/11/230683/>; 2017

⁸⁴ <http://grodno24.com/construction/pervyj-restoran-bystrogo-pitaniya-populyarnoj-seti-burger-king-mozhet-otkrytsya-v-grodno-vesnoj.html>; 2017

Figure 13. Locations of Burger King restaurants in Minsk



Source: Google Maps, 2017

23rd of June 2016 Burger King in Belarus launched daily delivery project⁸⁵. From 11 a.m. to 11 p.m. it had become possible to make an order (with a minimum amount for 15 rubles) online and get your delivery for free. Delivery area is limited by Tsentralny, Frunzenski, Maskouski and Kastychnitski districts⁸⁶.

⁸⁵ <http://burger-king.by/news/article/61/DOSTAVKA-BURGER-KING-V-MINSKE>; 2017

⁸⁶ <http://bkdostavka.by/terms/>; 2017

Figure 14. Strength and weaknesses of Burger King in Belarus

Strengths	Weaknesses
1. Sandwich tailored to customer	1. Poor service in comparison with the main competitors
2. Delivery service	2. Not every spot has good working wi-fi
3. Free refill system of beverages	3. Presence only in Minsk and the lowest number of locations among main competitors
4. Good locations in Minsk (railway station, city center)	4. Unhealthy food menu
5. Big growth plan (entering regional markets)	5. Absence of a special children's menu
6. Existence of a discount cards or special promotions	6. The queues at the cash desk most of the time
7. The longest working hours among the main competitors (most of the restaurants are working until 2 a.m.)	

Source: own

As it can be noted from the competitors' analysis, nowadays large international fast-food brands presented in Belarus start expansion into regions and launch the national republican distribution system. Opening restaurants in other cities than Minsk have the following advantages:

- 1) Allows to be closer to the consumers and to enlarge the scope. Market capacity of Minsk (including permanent residents and average season number of tourists) limited by approximately 2.5 million people, when the national scope is more than 9 million. It ought to be remarked that the
- 2) Low level of competition due to the absence or poor development of other large fast-food brands. There is no any Burger King restaurants in regional markets.
- 3) Low level of competition on the labor market that can lead to easier employment process, low level of staff turnover, as in regions people used to be more loyal than in capital.
- 4) Opportunity to choose better locations (in city center, for example)

Taking into consideration the weaknesses of competitors listed above it's important for Subway to turn them into strength. For example, introduce free refill system, to control the quality and rate of service, working hours and technical infrastructure (availability of wi-fi). Company owners should also pay attention to:

- 1) Development of discount programs (mobile app, special promotions, fliers etc.)
- 2) Collaborations with delivery services
- 3) Entering regional markets
- 4) Collaborations with Belarussian factories for cheaper products
- 5) Future land and premise purchase for reducing the risk of conflict with the premise owner

3.2 Location planning

One of the strongest competitive advantages of the Subway franchise - it's flexible requirements for premises for a restaurant. Company required the following characteristics from the location:

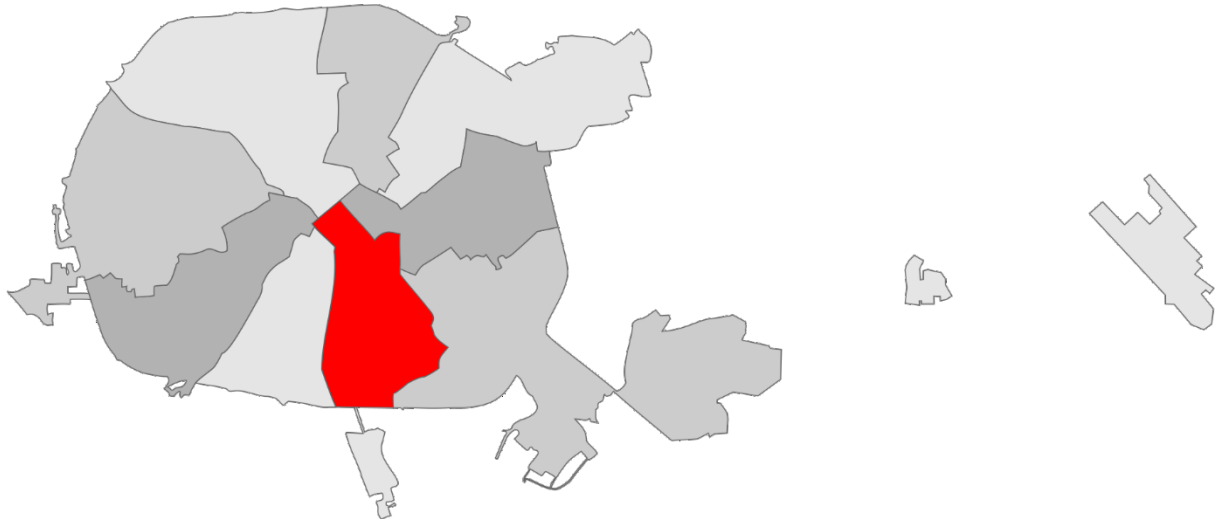
- Area of 80-120 square meters for an individual restaurant with a private entrance or 40-50 square meters for a place on a food-court
- Availability of inflow exhaust ventilation
- Electricity capacity of 30 kW
- Availability of water and canalization. Water supply and sewage pipes to for a kitchen and food service line
- Shop windows
- 2 entrance (for clients and suppliers)
- Internet and telephone
- Ceiling height - 3 meters

After getting a Subway franchise the next step is finding the location that will suit the criteria listed above. The project of a restaurant (an engineering plan and design) will be created for free by designers and engineers of Subway Inc. based on the data provided by an investor concerning the size of location and connector communication.

People in Belarus tend to visit fast food restaurants with the purpose to communicate, spend some time with friends. Also, they rarely take food out, much less often than in Europe or America. Based on this, it's important to focus on the comfort and coziness of the place. As a

part of the market research (survey and in-depth interview results, as well as location of the main competitors) it was identified that Leninski district is the most suitable due to the absence of competitors and existing demand.

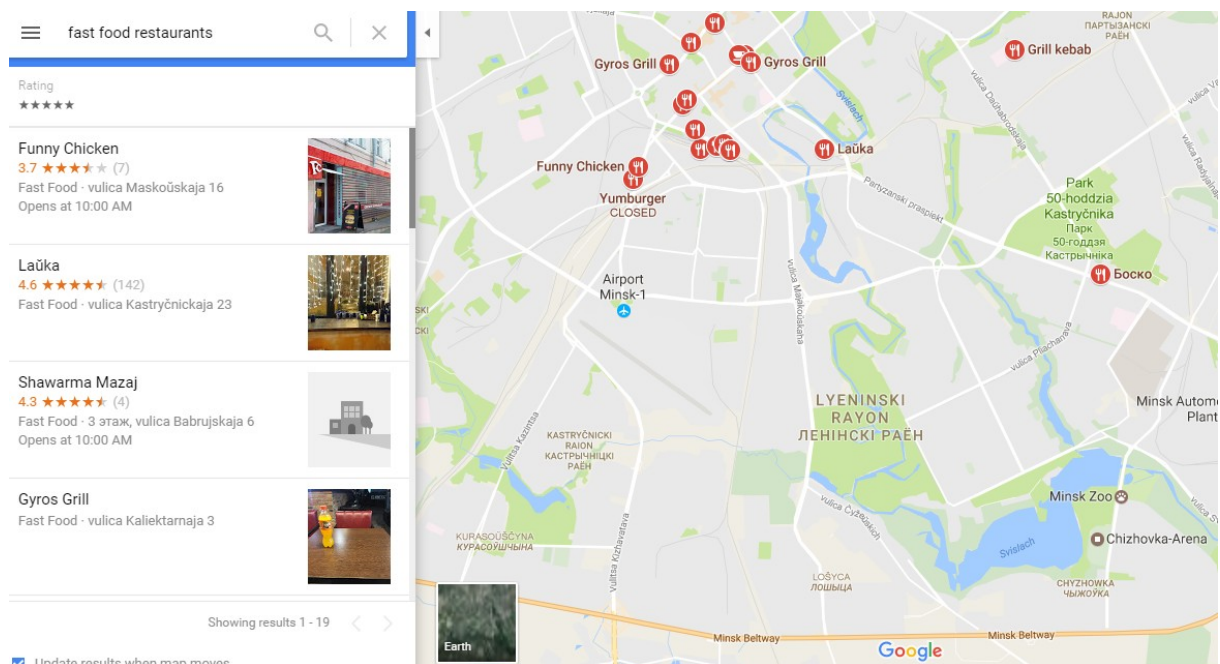
Figure 15. Location of Leninski district on a map of Minsk



Source: own

As you can see from the Figure 16, Leninski district is free from the main competitors.

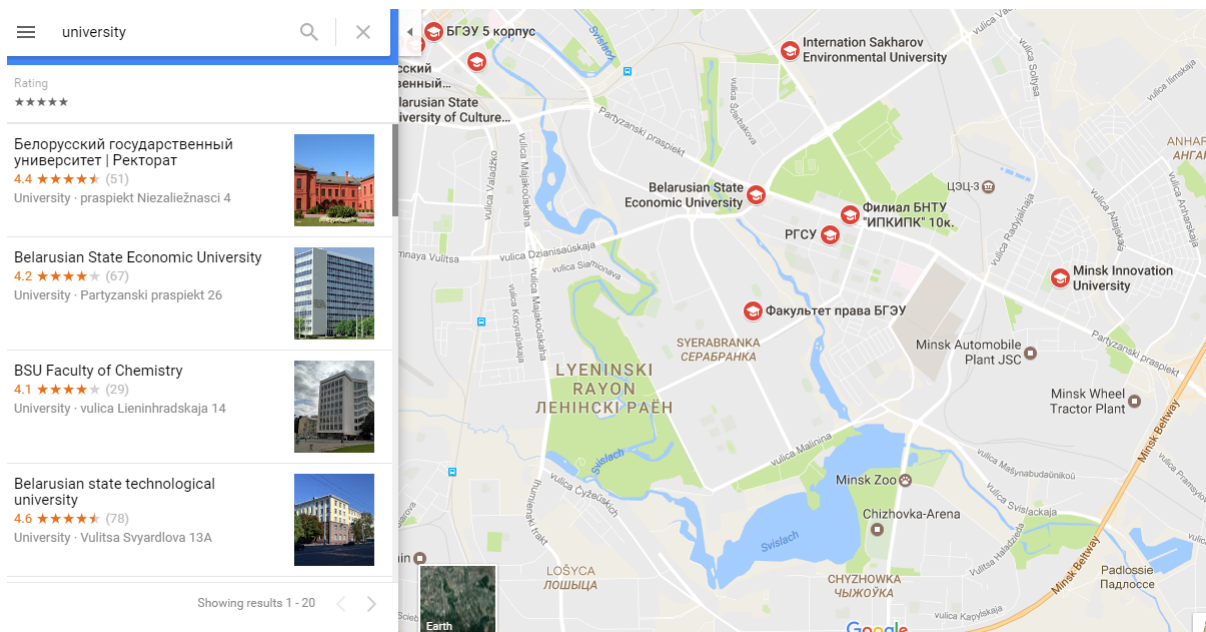
Figure 16. Location of the fast-food restaurants in Minsk



Source: Google Maps, 2017

Proximity to potential customers (presence of 5 universities on this district, a zoo, stadiums and offices) and cheaper prices for leasing comparing to the city center make this district attractive for location of a restaurant (Figure 17).

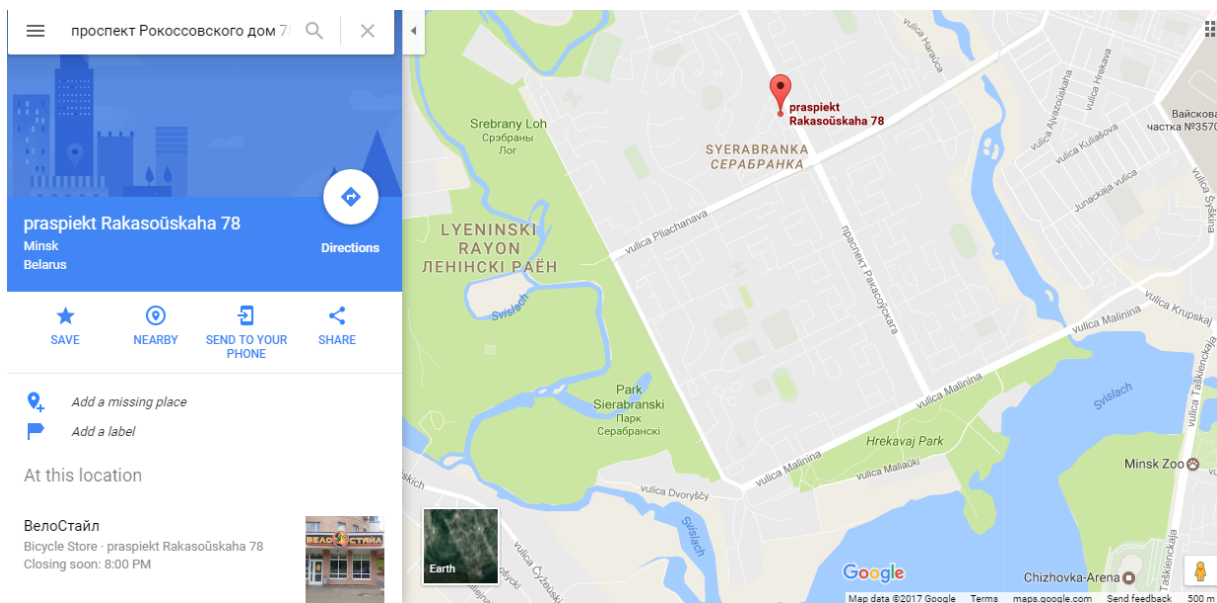
Figure 17. Presence of universities in Leninski district



Source: Google Maps, 2017

As a possible place that satisfy the requirements listed above for location of a restaurant the following commercial premise was found (see Figure). The price is 1600\$ per month.

Figure 18. Location of the commercial premise



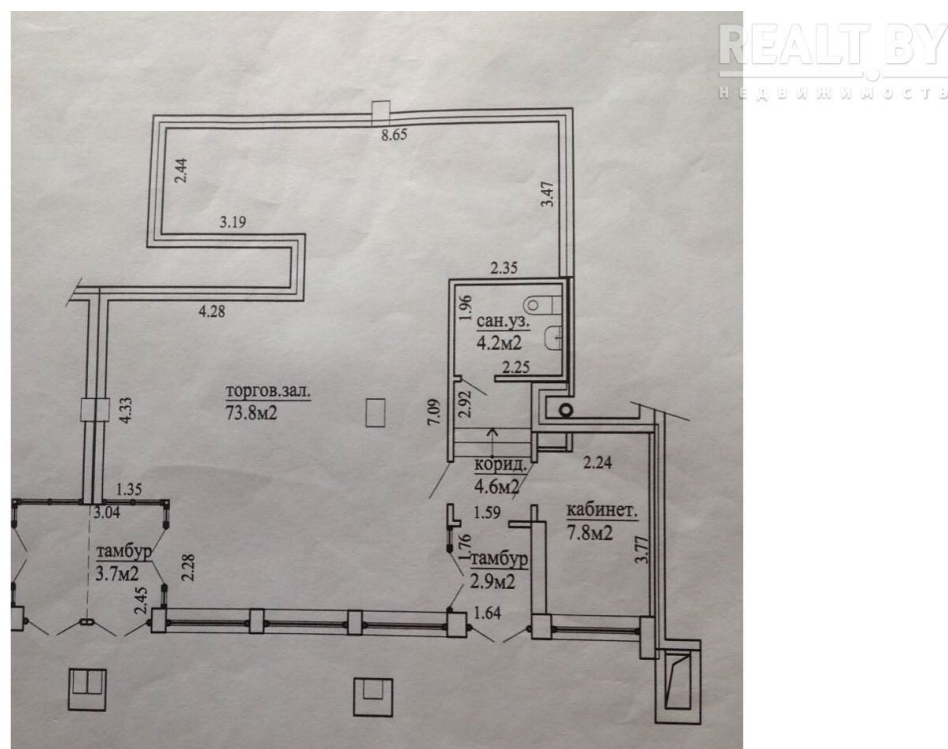
Source: Google Maps, 2017

Figure 19. Possible place for location of a restaurant



Source: RealtBy, 2017

Figure 20. Scheme of the premise



Source: RealtBy, 2017

Figure 21. Parameters of the premise

Type of property	Commercial premise
Area	97.8
Floor/ total number of floors	1/9
Ceiling height	3 meters
Year of construction	2006
Telephone	Yes, 1
Electric power supply	Yes
Heating	Yes
Toilet	Yes
Air conditioning	Yes
Separate entrance	Yes
Parking	Yes
Internet	Yes

Source: RealtBy, 2017

3.3 Management structure and personnel plan

For determination of salary level (including bonuses) and calculation of total payroll it is essential to compare pays of direct competitors for the similar jobs.

For 40 hours' workweek, Belarusian McDonald's suggests 735 Belarusian rubles' gross⁸⁷ for a crew member responsible for cooking, helping customers and cleaning. This sum is equal to almost 390\$ (currency conversion is for due to the 1st February 2017⁸⁸). It is worth to mention that every employee has a bonus every half of a year depending on an individual result and which estimated as 10-20% of three-month period salary. This type of compensation and benefits program aims on motivation of employees and provide fair compensation for the results of work. Thanks to clear system of assessment and talent development program "Talent Management", every employee has an opportunity to make a career at McDonald's and become a professional manager in an international company. Paid leave is also available and correspond to 28 days in a year.

Burger King has a lower level of salaries in Minsk for a similar job than McDonald's: due to the one of the most popular Belarusian internet resource for job searching jobs.tut.by, crew member can have near 600 rubles gross⁸⁹ (~319\$) and approximately 800 rubles for a manager⁹⁰ (~425\$). In each Burger King restaurant work from 20 to 30 people. The team consists of 15-20 crew members, as well as 4 shift managers, a deputy director and a director of the restaurant. Besides financial recognition, Burger King suggests bonuses such as family restaurant certificates or camping trips, staff parties and monthly awards as "Best employee". KFC suggests the lowest level of salaries: restaurant crew member can have 550 rubles in month⁹¹ (~292\$), assuming 40 hours' workweek.

Taking into consideration the information about competitors it would be reasonable to set the following monthly salaries for the first year: sandwich artist – 550 Belarusian rubles (~292\$), Sandwich Artist PRO – 650 Belarusian rubles (~345\$), Assistant manager – 750 Belarusian rubles (~398\$), Manager – 850 Belarusian rubles (~452\$).

⁸⁷ <http://rabotavmcdonalds.by/by/>; 2017

⁸⁸ <http://select.by/kurs/>; 2017

⁸⁹

https://minsk.jobs.tut.by/vacancy/19432084?utm_source=belmeta&utm_medium=meta&utm_campaign=Belmeta; 2017

⁹⁰ <https://minsk.jobs.tut.by/vacancy/19658220>; 2017

⁹¹

https://minsk.jobs.tut.by/vacancy/19577403?utm_source=belmeta&utm_medium=meta&utm_campaign=Belmeta; 2017

Figure 22. Personnel plan for the 1st year

Personnel plan for the 1 st year			
Position	Monthly personnel cost (in \$)	Total amount of bonuses during the 1 st year (in \$)	Total payroll for the 1 st year (in \$)
Manager (1 person)	452	400	5824
Assistant Manager (1 person)	398	350	5126
Sandwich Artist PRO (2 persons)	345	300	4440
Sandwich Artist (3 persons)	292	250	3754
TOTAL:	2416	1300	30292

Source: own

Compensation package per month: $30292/12=2524.3\$$

3.4 Marketing plan

An investor is responsible for determination of the prices for products in a restaurant based on the calculation of profitability, economic feasibility, and recommendations of the franchisor. Subway does not deliver products to franchisee, but help to find suppliers as close as possible to a restaurant. At the same time, a potential investor can apply for approval of products from a new supplier. Firstly it's possible to deliver products from approved Russian suppliers but in a future to find Belarusian ones.

All new franchisees undergo a two-weeks training course on "Managing the Subway restaurant", in which the company share the experience of doing the restaurant business, gives all the necessary information and conduct workshops.

The Marketing Mix

Figure 23. Marketing Mix

Category	Description
Product	<ul style="list-style-type: none"> • Healthy, fresh and nutritious subs (submarine sandwiches) • Fresh salads • Beverages (coffee, tea, soft drinks) • Desserts (cookies) • Snacks (chips, apple slices)
Price	<p>The price category of a Subway restaurant should be associated with its main competitors namely McDonald's, KFC, Burger King. The prices for burgers in these restaurants started from 3 rubles (1.2\$) and can reach the level of 10 rubles (5\$). Beverages are on the level of 2 rubles (1\$) per 0.5 liters, salads are near 4-6 rubles (2-3\$).</p> <p>Subway has 3 types of sandwich categories: square for a «hunger», special for a «foodie» and light sandwiches for economical people. Prices for them will be 6 (3\$), 7 (3.5\$) and 8 (4\$) Belarusian rubles for a small sandwich (15 cm) correspondingly; also there will be a possibility to double a sandwich (make it 30 cm) for 3 rubles (1.5 dollar).</p>
Promotion	<ul style="list-style-type: none"> • By the official Subway website • Social networks groups and pages (Facebook, Instagram, V Kontakte etc.) • Bus stop posters • Advertisement in media (TV, newspapers etc.) • Banners near public places (universities, offices etc.)
Place (distribution)	<ul style="list-style-type: none"> • Direct distribution (directly from the restaurant) • Indirect distribution (using intermediaries such as delivery companies)

Source: own

3.5 Financials

The initial franchise fee is \$15000 for 20 years (which is renewable), for every additional location the franchise fee will be \$7500.⁹² In addition, all participants of Subway system are charged monthly (royalties) in the amount of 8% (excluding VAT) of the turnover (gross revenue).

Legal fees necessary for starting business in Belarus described in literature review and include registration fee as an entity (11\$), making a seal (20\$), a Book of Registry of Inspections (3\$), registration of franchising agreement (10\$). Beside that it is useful to apply to a lawyer who will follow every step of procedure. The cost for legal services in Minsk for support of business registration is approximately 200\$⁹³.

Cost of equipment is 30000\$⁹⁴, besides that it is important to include the cost for transporting it from Moscow (~300\$) and the cost of assembling (500\$). To this expenditure item the cost of a cash register should be included (2000\$) and the cost of furniture (6000\$). In total equipment makes approximately 40000\$.

The price for safety control system installation in Minsk is approximately 300\$⁹⁵.

Existing taxes in Belarus necessary for payment listed in the Figure

⁹² <http://www.subwaydevelopmentgroup.com/faq.html>; 2017

⁹³ <http://www.femida.by/index.php?page=price>; 2017

⁹⁴ Information from Subway

⁹⁵ <http://tsc.by/p1749492-montazh-ustanovka-pozharnoj.html>; 2017

Figure 24. Belarus tax overview

Belarus Tax Overview	
Profit tax	18%
Profit tax in FEZ	None for first five years then 12%
Income tax	Flat rate of 12%
Income tax for HTP employees	9%
Profit tax, VAT, real estate tax and land tax in HTP	Three years exemption
VAT	20%
VAT in FEZ	10%
Capital gains tax	None
Small towns/countryside incentives for businesses setting up in towns of less than 50,000 people	Seven years tax exemption on profit derived from sale of own-produced goods, five years real estate tax and local taxes exemption

Source: BelarusBy, 2017

Training course is provided by Subway Inc and free of charge, but travel and accommodation expenses should be paid. The nearest training center is situated in St Petersburg, the course length is two weeks. A train ticket Minsk-St Petersburg costs approximately 50\$⁹⁶ and per Numbeo⁹⁷ and some other internet resources⁹⁸, one person spend in average 30-70\$ per day including renting. Taking into consideration this information the cost of this training for 2 persons will be near 1500\$.

⁹⁶

http://rasp.rw.by/ru/route/?from=%D0%9C%D0%B8%D0%BD%D1%81%D0%BA&to=%D0%A1%D0%B0%D0%BD%D0%BA%D1%82-%D0%9F%D0%B5%D1%82%D0%B5%D1%80%D0%B1%D1%83%D1%80%D0%B3&date=2017-03-29&from_exp=2100000&from_esr=140210&to_exp=2004000&to_esr=0; 2017

⁹⁷ <https://www.numbeo.com/cost-of-living/in/Saint-Petersburg>; 2017

⁹⁸

http://www.budgetyourtrip.com/budgetreportadv.php?geonameid=498817&countrysearch=&country_code=&categoryid=0&budgettype=2&triptype=0&startdate=&enddate=&travelerno=0; 2017

Figure 25. Start-up Expenses

Start-Up requirements	
Start-up Expenses	
Description	Amount (in USD)
Legal fees	250
-registration fee as an entity	11
-making a seal	20
-Book of Registry of Inspections	3
-registration of franchising agreement	10
-legal services	200
The initial franchise fee	15000
Equipment	38800
-cost of equipment	30000
-cost for transporting	300
-cost of assembling	500
-cash register	2000
-furniture	6000
Leasing of premise (for the 1st month+ security deposit)	3200
Renovations to the premises	2000
Safety control system	300
Outdoor advertising	1500
Purchase of products	1000
Training course for 2 persons (travel and accommodation expenses)	1500
-Transport	200
-Travel allowance	1300
Uniform	1000
Miscellaneous expenditures (1% of total expenditures)	880
Total Start-up Expenses	65430\$

Source: own

Average check can be calculated by the formula: a drink + a sandwich. Considering the average price for a sandwich as 7, and a drink for 3.5 this indicator will be approximately 10 rubles (5\$). It is expected to serve near 300 people per day, which makes sales per day at the level of 3000 rubles (1500\$), per month – 90000 (45000\$).

Figure 26. Monthly expenses

Description	Amount
Royalty	8% of profit (3600\$)
Leasing of premise	1600\$
Utility bills	300\$
Compensation package per month	2524.3\$
Marketing	1500\$
Purchasing of products	10000\$ (approximately 1\$ per sandwich)
Depreciation of equipment (technical lifetime 5 years)	$38800/5/12=646\$$
Miscellaneous expenditures	200
Total	20370\$

Source: own

Figure 27. Calculation of economic indicators

Indicator	Formula	Indicator values
Start-up Expenses	Figures calculated in the table above	65430\$
Monthly expenses	Figures calculated in the table above	20370\$
Monthly foot traffic	-	9000
Average check	-	5\$
Monthly takings	Monthly takings = Monthly foot traffic* Average check	45000\$
Monthly profits	Monthly profits = Monthly takings - Monthly expenses	$45000\$ - 20370\$ = 24630\$$
Taxes	Profit tax 12% Labor tax and contributions (% of profit) 39% Other taxes (% of profit) 1%	12804\$ $24630 - 12804 = 11822\$$
Profit margin analysis (how much of each dollar collected by a company as revenue translates into profit)	Net profit margin = (Net income)/(Revenue (net sales));	$11822/45000 = 26\%$
Payback period	Start-up Expenses/ Monthly profits after taxes	$65430/11822=5.5$ months

Source: own

After analyzing the economic indicators, we can conclude that the project to open a fast food restaurant on the Subway franchise in Belarus is profitable, cost-effective and rapidly pays for itself.

Possible problems and solutions:

- 1) Since the distinctive feature of Subway restaurants is the preparation of sandwiches only from fresh ingredients (vegetables, cheese etc.), there may be problems due to

interruptions in supplying. To solve this problem a franchisee together with the franchisor should hold a tender among potential suppliers and choose the most conscientious suppliers as well as the most profitable offers.

- 2) An issue of a low traffic flow. This problem can be solved by relocation of the restaurant or marketing tools that require additional investments.
- 3) Risk of growing competition. This threat can be eliminated by extensive growth and by entering the regional markets.
- 4) The risk of a decline in profitability can be eliminated by efficient management.

Chapter 4. Recommendations and results

After assessing the Belarusian market, it is possible to say that it is worth to open a Subway restaurant because of existing demand and the low level of competition. This fact was supported by the survey of 112 people and 6 in-depth interviews with the target consumers of the restaurant. During the research three main competitors on the market were identified namely McDonald's, KFC as well as Burger King, some of them are already entered the regional market. Nevertheless, the capital remained an attractive location for opening a new restaurant because consumers there receive the highest income in the country and allocate to the catering services the largest percentage of their expenses.

For overcoming the threats of an external environment (which were identified through PESTEL-analysis) such as high level of corruption in the country, possible pressure from the government and uncertainty of legislation it is recommended to follow the following strategies:

1. Strict statutory and contractual compliance during every day operations.
2. To develop a policy of 'zero-tolerance' to corruption (by corporate leadership) and if necessary apply to court. Following the experience of Finnish companies operating in Russia⁹⁹ the strategy of not paying even small bribes can be successful and help to maintain a reputation of a 'hard nut to crack'. This approach requires costs of lawyer services to be included into financial planning.
3. Maintain a high-level of transparency inside of a company.

To be competitive on the Belarusian market company owners should also pay attention to:

- development of discount programs (a mobile app, special promotions, distribution of fliers etc.);
- possible collaborations with delivery services for indirect distribution;
- entering regional markets in the nearest future;
- collaborations with Belarussian factories for cheaper products (currently it was suggested to deliver products from Russia unless the suitable suppliers will be found);
- future land and premise purchase for reducing the risk of conflict with the premise owner.

⁹⁹ <http://www.cnbc.com/id/100805382>; 2017

Conclusion

Subway is an American fast-food chain with submarine sandwiches, salads and pizzas who currently presented in 112 countries, but has not entered the Belarusian market yet. The first step of the business plan was the assessment of the market specifically valuation of market demand. It was identified that Belarus is attractive for entering due to the low level of competition, low entering barriers and existing demand among potential consumers. With the acceleration of the life people prefer quick snacks to a good meal. Moreover, fast-food industry has stable positions during crisis, as people tend to visit cheaper restaurants. Nowadays in Belarus such kinds of restaurants are in more demand than expensive dinings as there are not many affluent people who will keep occupancy rate high, as well as a turnover. As for 2012, there were more than 223000 students in Minsk and average number of tourists in recent years were more than 440000 per year¹⁰⁰ and this number is going to grow in the future due to the implementation of visa-free access to the country¹⁰¹. These numbers make a good base for opening a Subway restaurant because students, teenagers and tourists are the target audience of this brand.

During the PESTEL-analysis (analysis of an external environment) more positive than negative factors were identified, such as a tendency to simplification of administrative procedures in a country, appearance of more business-friendly regulations or growing number of potential consumers. It worth to mention that some undesirable aspects were acknowledged such as high level of corruption in the country, possible pressure from the government and uncertainty of legislation. For overcoming these problems three strategies were suggested: strict statutory and contractual compliance, 'zero-tolerance' policy and maintenance of a high-level of transparency within a company.

The next step of the business plan was location planning and Leninski district was chosen as the most suitable because of absence of competitors, proximity to potential customers (presence of 5 universities on this district, a zoo, stadiums and offices) and cheaper prices for leasing comparing to the city center. As for a management structure and personnel plan, it was decided to have 1 manager, 1 assistant and 5 sandwich makers. Their salaries were calculated based on the level of payment of direct competitors for the similar jobs. Marketing plan is not very detailed as a franchisor will help to investor with promotion and advisement after signing the contract, as well as give a permission to use a common database with all the

¹⁰⁰ <https://news.tut.by/society/409521.html>; 2017

¹⁰¹ <http://mfa.gov.by/en/visa/visafreetravel/e0ced19bb1f9bf2c.html>; 2017

necessary information. Nevertheless, it is planned to spend approximately 1500 \$ per month on marketing purposes such as bus stop posters, advertisement in media (TV, newspapers etc.) ad banners near public places (near universities, offices etc.).

After analyzing the economic indicators, it became possible to conclude that the project of opening a fast food restaurant on the Subway franchise in Belarus is profitable, cost-effective and rapidly pays for itself.

The findings of the paper can be used for the further research on the market as well as for future expanding of the chain. The findings of the research can be used by the potential investors of Subway Inc., by the representatives of the company, creditors, landowners and public authorities.

References

Books:

- Arvind V. Phatak, Rabi S. Bhagat, Roger J. Kashlak 2009 International management: managing in a diverse and dynamic global environment, Boston: McGraw Hill
- Charles W.L. Hill, 2012 International business: competing in the global marketplace, 9th edition New York: McGraw Hill
- Lawrence S. Welch, Gabriel R. G. Benito, Bent Petersen 2007 Foreign Operation Methods: Theory, Analysis, Strategy, Cheltenham: Edward Elgar Publishing Limited
- Luthans F., Doh J.P. 2009 International Management: culture, strategy, and behavior”, 7th edition, McGraw-Hill/Irwin New York: McGraw Hill
- Philippe Lasserre 2012 Global Strategic Management 3nd edition, London: Palgrave Macmillan

Other sources:

- 2017 Top Franchises from Entrepreneur's Franchise 500 List. [Online] Available at: <<https://www.entrepreneur.com/franchise500>> [Accessed by 1 March 2017].
- Top 100 Global Franchises - Rankings (2016) [Online] Available at: <<http://www.franchisedirect.com/top100globalfranchises/rankings/?year=2016>> [Accessed by 1 March 2017].
- America's best and worst franchises to buy. [Online] Available at: <<http://www.forbes.com/forbes/welcome/?toURL=http://www.forbes.com/best-worst-franchises-to-buy/&refURL=https://www.google.pl/&referrer=https://www.google.pl/>> [Accessed by 1 March 2017].
- Franchise 500 Rankings. [Online] Available at: <<https://www.rankingthebrands.com/The-Brand-Rankings.aspx?rankingID=80&nav=category>> [Accessed by 1 March 2017].
- 10 things to know about restaurant franchises. [Online] Available at: <<https://www.thebalance.com/buying-a-restaurant-franchise-2888465>> [Accessed by 1 March 2017].
- Political risk. [Online] Available at: <<http://www.investopedia.com/terms/p/politicalrisk.asp>> [Accessed by 1 March 2017].

- The costs involved in opening a franchise. [Online] Available at: http://www.franchising.com/howtofranchiseguide/the_cost_of_opening_a_franchise.html [Accessed by 1 March 2017].
- Эксперт: Франчайзинг набирает обороты в России [Online] Available at: <https://rg.ru/2014/12/01/reg-sibfo/expert.html> [Accessed by 1 March 2017].
- Top 100 global franchises - Rankings (2017) [Online] Available at: <http://www.franchisedirect.com/top100globalfranchises/rankings/> [Accessed by 1 March 2017].
- Do you have what it takes to franchise with us? [Online] Available at: <http://dunkinbrands.force.com/internationalapplication> [Accessed by 1 March 2017].
- How to create a business plan. [Online] Available at: http://www.franchising.com/howtofranchiseguide/how_to_create_a_business_plan.html [Accessed by 1 March 2017].
- Nourish Thistown business plan [Pdf] Available at: <http://c1590022.cdn.cloudfiles.rackspacecloud.com/480d1f7b4fb306156b7291851e82d768.pdf> [Accessed by 1 March 2017].
- How to start a franchise Business [Online] Available at: <http://articles.bplans.com/start-franchise/> [Accessed by 1 March 2017].
- Personnel plan [Online] Available at: <http://www.masterplans.com/help/business-plan-section-personnel-plan> [Accessed by 1 March 2017].
- General information [Online] Available at: <http://belarusfacts.by/en/belarus/about/> [Accessed by 1 March 2017].
- Doing business in Belarus September 2015 [Pdf] Available at: [http://www.ey.com/Publication/vwLUAssets/ey-doing-business-belarus-2015-eng/\\$FILE/ey-doing-business-belarus-2015-eng.pdf](http://www.ey.com/Publication/vwLUAssets/ey-doing-business-belarus-2015-eng/$FILE/ey-doing-business-belarus-2015-eng.pdf) [Accessed by 1 March 2017].
- Why Belarus [Online] Available at: http://galleriaminsk.com/business/why_belarus/ [Accessed by 1 March 2017].
- В Витебске открыли "МакДональдс", который называют лучшим рестораном сети в Беларуси [Online] Available at: <https://news.tut.by/society/406534.html> [Accessed by 1 March 2017].

- KFC, Burger King, Texas Chicken, Hesburger... Кризис потянул в Минск именитый фастфуд [Online] Available at: <<https://news.tut.by/economics/450006.html>> [Accessed by 1 March 2017].
- 10 вещей о ресторанном бизнесе, которые полезно знать, – от управляющего Café Netto [Online] Available at: <<https://probusiness.by/experience/16-10-veshchey-o-restorannom-biznese-kotorye-polezno-znat-ot-upravlyayushchego-caf-netto.html>> [Accessed by 1 March 2017].
- Ресторанный бизнес Беларуси [Online] Available at: <http://bagb.by/one/main/main_153.html> [Accessed by 1 March 2017].
- Франчайзинг в Беларуси: доходный бизнес по чужому «рецепту» [Online] Available at: <<http://delo.by/news/~shownews/franchaising-v-belarusi-dohodniy-biznes>> [Accessed by 1 March 2017].
- Когда в Беларуси появятся Subway, Баскин Робинс и Starbucks? [Online] Available at: <<http://bel.biz/completed/management/rynki/kogda-v-belarusi-poyavyatsya-subway-baskin-robins-i-starbucks>> [Accessed by 1 March 2017].
- Белорусский франчайзинг: путь от теории к практике [Online] Available at: <<http://www.jurcatalog.by/articles/1896/beloruskij-franchajzing>> [Accessed by 1 March 2017].
- Ассоциация франчайзеров и франчайзи «Белфранчайзинг» [Online] Available at: <<http://belfranchising.by/associacia/>> [Accessed by 1 March 2017].
- Эксперт: в Беларуси будет активно развиваться рынок франчайзинга [Online] Available at: <http://naviny.by/rubrics/economic/2015/11/06/ic_news_113_466287> [Accessed by 1 March 2017].
- Инсайты постсоветского рынка франчайзинга [Online] Available at: <<http://www.buybrand.ru/market-reviews/12937/>> [Accessed by 1 March 2017].
- Ease of Doing Business in Belarus [Online] Available at: <<http://www.doingbusiness.org/data/exploreeconomies/belarus>> [Accessed by 1 March 2017].
- Размер базовой величины в Республике Беларусь [Online] Available at: <https://belarusbank.by/ru/press/spravочно/bazovaya_velichina> [Accessed by 1 March 2017].

- Согласование наименования [Online] Available at: <http://egr.gov.by/egrn/index.jsp?content=eJurReorgCreate> [Accessed by 1 March 2017].
- База данных наименований юридических лиц [Online] Available at: <http://egr.gov.by/egrn/index.jsp?content=findname> [Accessed by 1 March 2017].
- Официальные пошлины за регистрацию договоров [Online] Available at: <https://www.lexpatent.by/duty/contracts.php> [Accessed by 1 March 2017].
- History [Online] Available at: <http://www.subway.com/en-us/aboutus/history> [Accessed by 1 March 2017].
- Explore Our World [Online] Available at: <http://www.subway.com/en-us/exploreourworld> [Accessed by 1 March 2017].
- Subway Timeline [Online] Available at: <http://www.subway.com/en-us/aboutus/timeline> [Accessed by 1 March 2017].
- Number of SUBWAY® Restaurant Locations in the World [Online] Available at: <http://chartsbin.com/view/e4b> [Accessed by 1 March 2017].
- Франшиза ресторанов Subway [Online] Available at: <http://delaybiznes.com/franshiza-subway/> [Accessed by 1 March 2017].
- Сабвэй [Online] Available at: <http://rusfranch.ru/franchising/history/sabvey/> [Accessed by 1 March 2017].
- Subway твой бизнес [Pdf] Available at: <http://subway.ru/upload/brochure.pdf> [Accessed by 1 March 2017].
- Market Research [Online] Available at: <https://www.entrepreneur.com/encyclopedia/market-research> [Accessed by 1 March 2017].
- Subway Report [Online] Available at: <https://marketing-team-project.wikispaces.com/Subway+Report> [Accessed by 1 March 2017].
- Weighted Average Cost Of Capital - WACC [Online] Available at: <http://www.investopedia.com/terms/w/wacc.asp> [Accessed by 1 March 2017].
- Doing business in Belarus 2017 [Pdf] Available at: <http://www.doingbusiness.org/~media/wbg/doingbusiness/documents/profiles/country/blr.pdf> [Accessed by 1 March 2017].
- Belarus GDP [Online] Available at: <http://www.tradingeconomics.com/belarus/gdp> [Accessed by 1 March 2017].

- Recent Economic Developments [Online] Available at: <http://www.worldbank.org/en/country/belarus/overview#3> [Accessed by 1 March 2017].
- Классификация объектов общественного питания [Online] Available at: <http://www.kgkgomel.gov.by/content/klassifikaciya-obektov-obshchestvennogo-pitaniya> [Accessed by 1 March 2017].
- Топ-30 сайтов по охвату в Беларуси в июне [Online] Available at: <http://marketing.by/analitika/top-30-saytov-po-okhvatu-v-belarusi-v-iyune/> [Accessed by 1 March 2017].
- Самый популярный фастфуд в Минске: «МакДональдс», «Бургер Кинг» или KFC? [Online] Available at: <https://realt.onliner.by/2016/10/14/pravda-fastfood> [Accessed by 1 March 2017].
- McDonald's International Franchising [Online] Available at: http://corporate.mcdonalds.com/content/mcd/franchising/international_franchising.html [Accessed by 1 March 2017].
- Развитие франчайзинга в Республике Беларусь [Pdf] Available at: <http://rep.polesu.by/bitstream/112/8842/1/150.pdf> [Accessed by 1 March 2017].
- Гражданский Кодекс Республики Беларусь. Статья 113. Унитарное предприятие [Online] Available at: http://kodeksy-by.com/grazhdanskij_kodeks_rb/113.htm [Accessed by 1 March 2017].
- До конца 2017 года McDonalds удвоит число своих ресторанов в Беларуси [Online] Available at: http://naviny.by/rubrics/economic/2015/06/16/ic_news_113_459345 [Accessed by 1 March 2017].
- Фастфудный шок – ещё 8 ресторанов Макдональдс скоро откроются в минске [Online] Available at: <http://koko.by/minsk/13137.html> [Accessed by 1 March 2017].
- Белорусские продукты в МакДональдс™, или Как стать поставщиком компании [Online] Available at: <https://goo.gl/nLTqeo> [Accessed by 1 March 2017].
- Be your own colonel [Online] Available at: <https://www.kfc.com/about/franchising> [Accessed by 1 March 2017].

- KFC идет в регионы – сеть набирает персонал в Бресте [Online] Available at: <https://probusiness.by/strategy/2136-kfc-idet-v-regiony-set-nabiraet-personal-v-breeste.html> [Accessed by 1 March 2017].
- Брендовый фаст-фуд шагает по неизбалованной Беларуси [Online] Available at: http://naviny.by/rubrics/economic/2015/11/12/ic_articles_113_190251 [Accessed by 1 March 2017].
- Сергей Дутин, KFC: Мы нацелены стать №1 в сегменте быстрого питания в Беларуси [Online] Available at: <https://probusiness.by/markets/2593-sergey-dutin-kfc-my-naceleny-stat-1-v-segmente-bystrogo-pitaniya-v-belarusi.html> [Accessed by 1 March 2017].
- About us [Online] Available at: <http://www.bk.com/about-bk> [Accessed by 1 March 2017].
- Ресторан [Online] Available at: <http://burger-king.by/restaurants> [Accessed by 1 March 2017].
- Burger King планирует открыть ресторан в Могилеве [Online] Available at: <https://charter97.org/ru/news/2016/11/11/230683/> [Accessed by 1 March 2017].
- Первый ресторан быстрого питания популярной сети «Burger King» может открыться в Гродно весной [Online] Available at: <http://grodno24.com/construction/pervyj-restoran-bystrogo-pitaniya-populyarnoj-seti-burger-king-mozhet-otkrytsya-v-grodno-vesnoj.html> [Accessed by 1 March 2017].
- Доставка Бургер Кинг в Минске [Online] Available at: <http://burger-king.by/news/article/61/DOSTAVKA-BURGER-KING-V-MINSKE> [Accessed by 1 March 2017].
- Условия заказа [Online] Available at: <http://bkdostavka.by/terms/> [Accessed by 1 March 2017].
- Перавагі працы ў Макдональдс [Online] Available at: <http://rabotavmcdonalds.by/by/> [Accessed by 1 March 2017].
- Последние новости и прогнозы о курсах валют [Online] Available at: <http://select.by/kurs/> [Accessed by 1 March 2017].
- Член бригады ресторана [Online] Available at: https://minsk.jobs.tut.by/vacancy/19432084?utm_source=belmeta&utm_medium=meta&utm_campaign=Belmeta [Accessed by 1 March 2017].

- Менеджер ресторана (г. Гродно) [Online] Available at: <https://minsk.jobs.tut.by/vacancy/19658220> [Accessed by 1 March 2017].
- Член бригады ресторана [Online] Available at: https://minsk.jobs.tut.by/vacancy/19577403?utm_source=belmeta&utm_medium=meta&utm_campaign=Belmeta [Accessed by 1 March 2017].
- Frequently Asked Questions [Online] Available at: <http://www.subwaydevelopmentgroup.com/faq.html> [Accessed by 1 March 2017].
- Сколько стоят услуги юриста в Минске [Online] Available at: <http://www.femida.by/index.php?page=price> [Accessed by 1 March 2017].
- Монтаж (установка) пожарной сигнализации [Online] Available at: <http://tsc.by/p1749492-montazh-ustanovka-pozharnoj.html> [Accessed by 1 March 2017].
- Расписание поездов Минск — Санкт-Петербург [Online] Available at: http://rasp.rw.by/ru/route/?from=%D0%9C%D0%B8%D0%BD%D1%81%D0%BA&to=%D0%A1%D0%B0%D0%BD%D0%BA%D1%82-%D0%9F%D0%B5%D1%82%D0%B5%D1%80%D0%B1%D1%83%D1%80%D0%B3&date=2017-03-29&from_exp=2100000&from_esr=140210&to_exp=2004000&to_esr=0 [Accessed by 1 March 2017].
- Cost of Living in Saint Petersburg [Online] Available at: <https://www.numbeo.com/cost-of-living/in/Saint-Petersburg> [Accessed by 1 March 2017].
- Saint Petersburg [Online] Available at: http://www.budgetyourtrip.com/budgetreportadv.php?geonameid=498817&countrysearch=&country_code=&categoryid=0&budgettype=2&triptype=0&startdate=&enddate=&travelerno=0 [Accessed by 1 March 2017].
- <https://news.tut.by/economics/450006.html>

Appendix 1

A list of open questions for in-depth interviews with representatives of the target audience:

- 1) What is your name? How old are you?
- 2) Tell about yourself. What do you do?
- 3) How often do you visit fast-food restaurants? (McDonald's, KFC, Burger King)
- 4) At what time do you prefer to visit fast-food restaurants?
- 5) Would you like to visit a new fast-food restaurant (if any appeared with the same price category as McDonald's/Burger King/KFC)?
- 6) What is the ideal fast-food restaurant for you?
- 7) What do you think which types of restaurants are thinly represented in Belarus?
- 8) What is important in a fast-food restaurant for you (food quality, service, atmosphere etc.) and why?
- 9) Which fast-food restaurant is more popular among the citizens (McDonald's/Burger King/KFC) and why do you think so?
- 10) What part of Minsk should be chosen for opening a new fast-food restaurant and why?

Respondents:

- 1) Yauheniy Kazartsau, 25 years old, an office employee (Sputnik Belarus company). Hold a master degree in journalism. Visits fast-food restaurants twice a week in average during the lunch time or in the evening.
- 2) Veronica Yanchenka, 24 years old, an office employee (A1QA company). Hold a bachelor degree in economics. Visits fast-food restaurants several times a month for meeting friends, usually in the evening.
- 3) Margharyta Makhankova, 21 years old, an office employee (Adnow company). Hold a bachelor degree in business. Visits fast-food restaurants several times a week for lunch.
- 4) Yury Siomachkin, 22 years old, student. Prefers to visit fast-food restaurants several times a week for a quick and not expensive lunch during the afternoon or in the morning to grab a coffee.
- 5) Albert Chubakou, 21 years old, student of Belarusian State University of Informatics and Radioelectronics, a businessman. Visits fast-food restaurants several times a month to meet with friends or colleagues, usually in the afternoon.

6) Karyna Karneeva 21 years old, student of Belarusian State University. Visits fast-food restaurants several times a week to meet with friends and for a quick and not expensive lunch, usually in the afternoon.

Results:

- most respondents noticed an importance of late working hours of a fast-food restaurant as well as availability of wide assortment;
- everybody would like to visit a new fast-food restaurant;
- 5 out of 6 people prefer food quality to atmosphere and comfort;
- everybody liked the opportunity to create a sandwich based on own preference
- 5 out of 6 people admitted that McDonalds is the most popular restaurant among citizens, one respondent chose KFC
- Leninski, Frunzenski and Tsentralny districts were suggested for location of a new restaurant.

Appendix 2

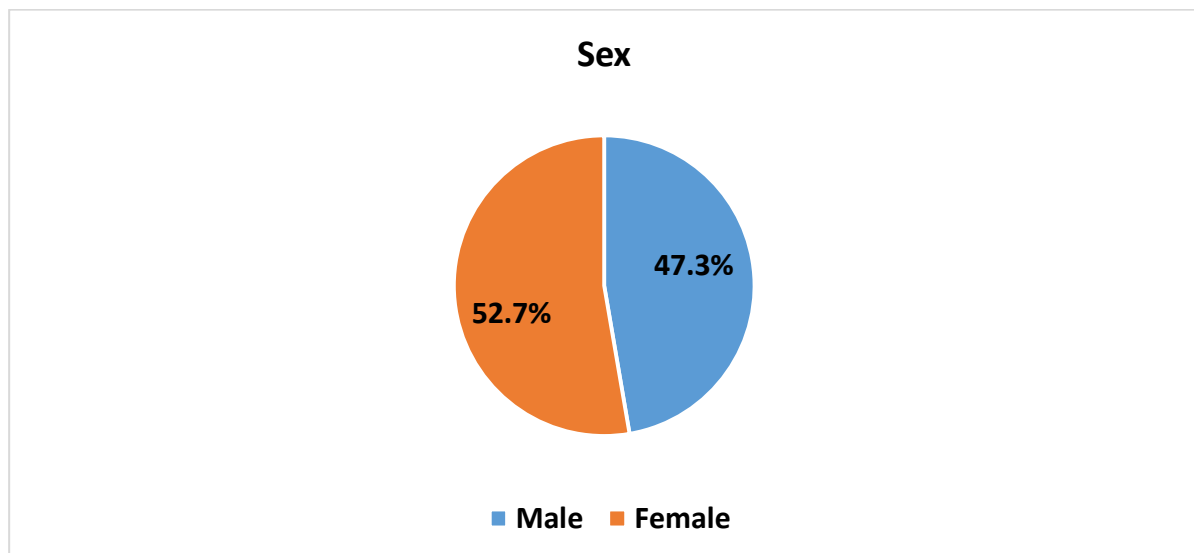
Survey results

The survey is available on the following address: <https://goo.gl/CTx5x3>

1) Please indicate your sex: male/female

112 responses (compulsory question)

Figure 28. Sex of the respondents

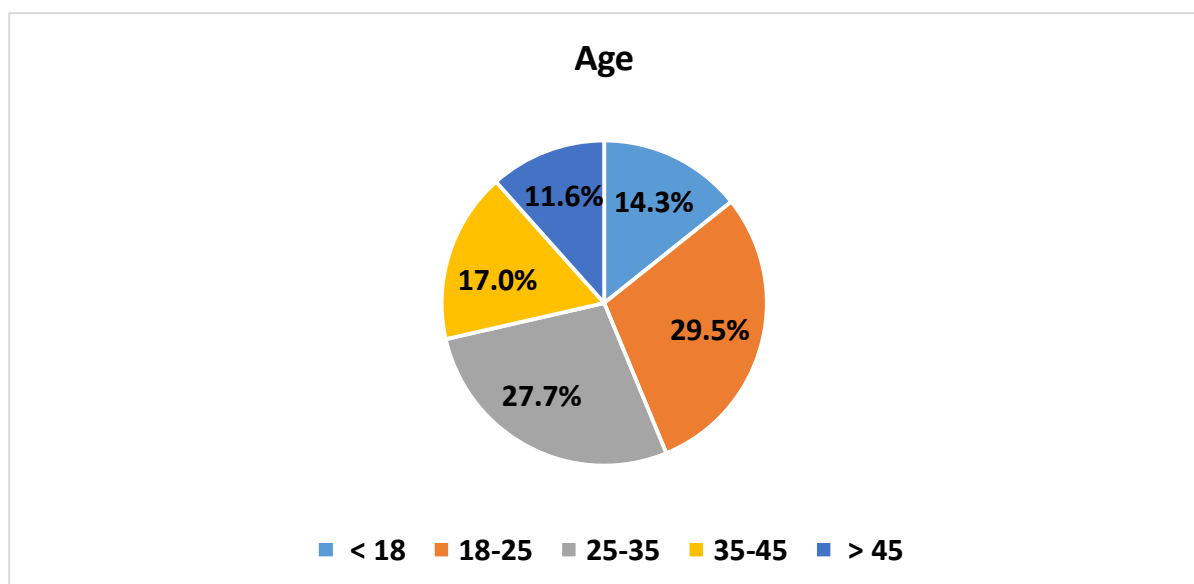


Source: own

2) How old are you?

112 responses (compulsory question)

Figure 29. Age of the respondents

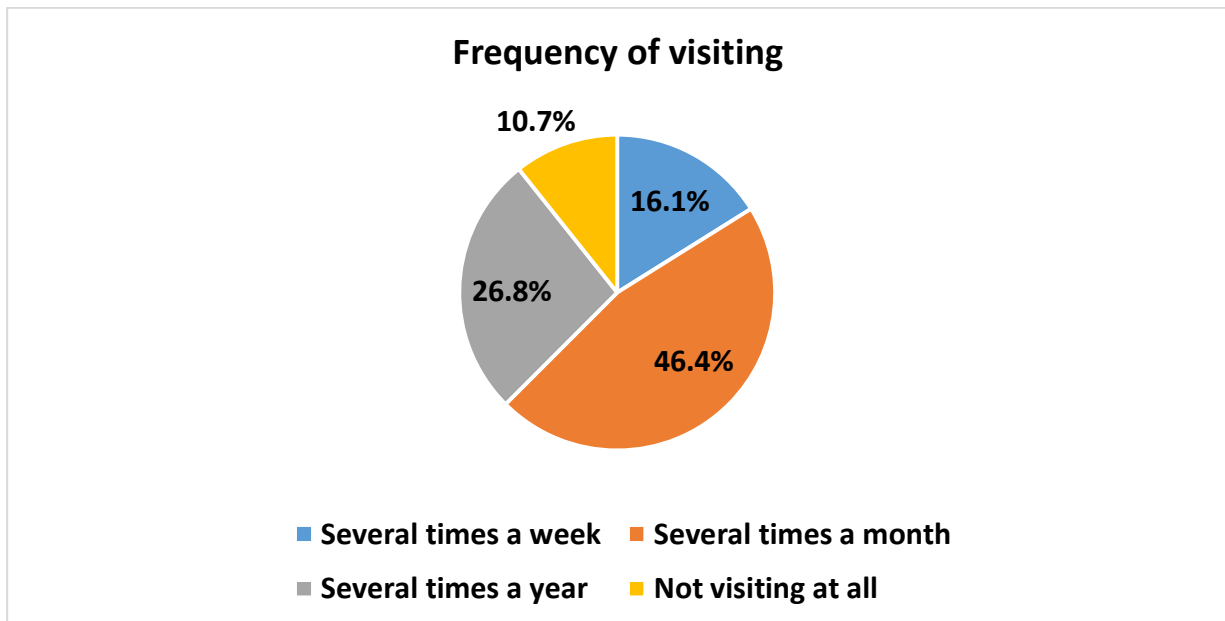


Source: own

3) How often do you visit fast-food restaurants? (McDonald's, KFC, Burger King)

112 responses (compulsory question)

Figure 30. Frequency of visiting

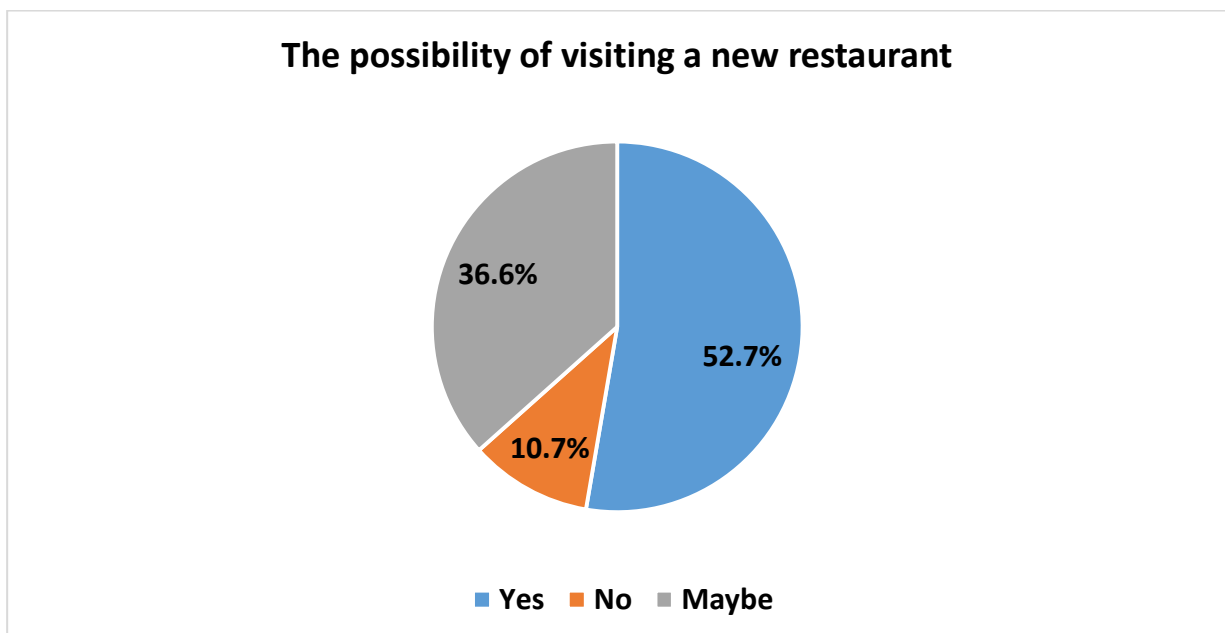


Source: own

4) Would you like to visit a new fast-food restaurant (if any appeared with the same price category as McDonald's/Burger King/KFC)?

112 responses (compulsory question)

Figure 31. The possibility of visiting a new restaurant

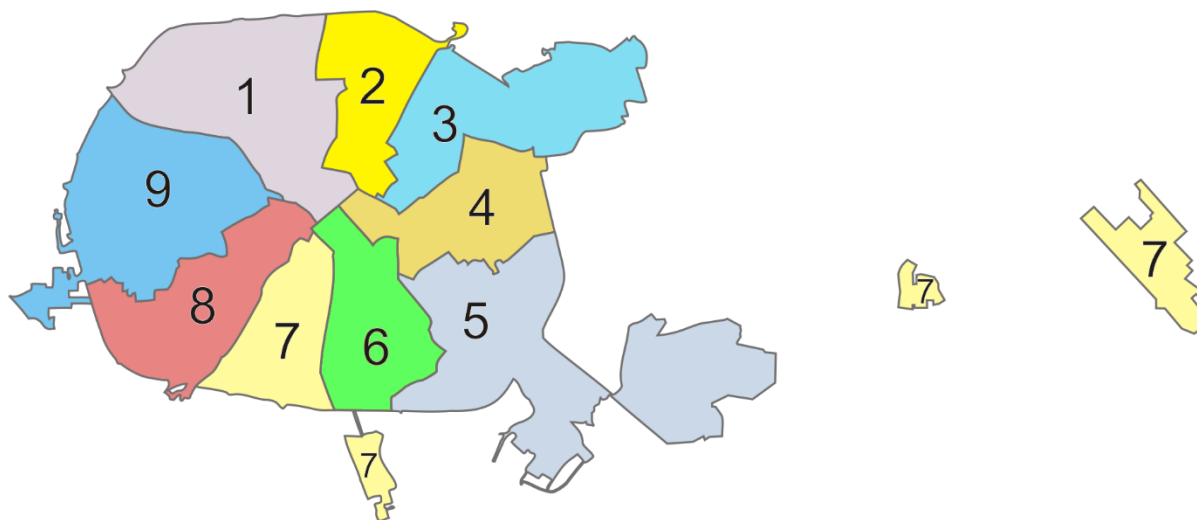


Source: own

5) What part of Minsk should be chosen for opening a new fast-food restaurant?
(more than 1 one answer is possible)

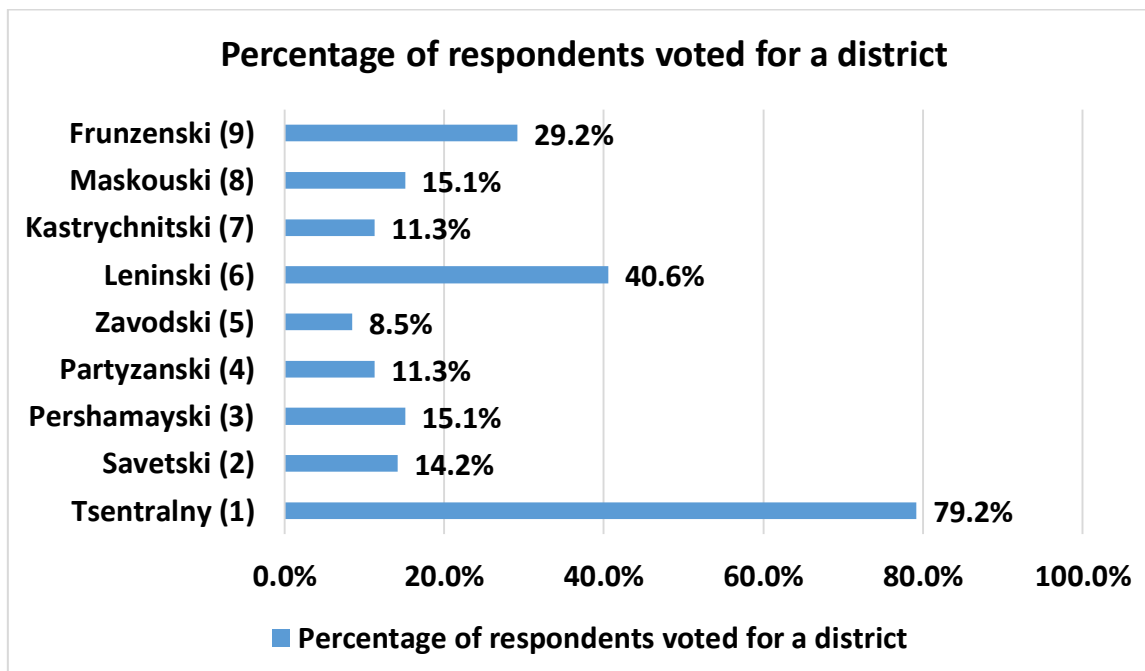
106 responses (not compulsory question)

Figure 32. Minsk districts



Source: own

Figure 33. Percentage of respondents voted for a district



Source: own