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QUALIFICATION PAPER

on the topic «INTERNATIONAL FRANCHISING AS AN INNOVATIVE AND
EFFECTIVE TOOL OF BUSINESS DEVELOPMENT»

Specialty 292 «International Economic Relations»

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group ME – 81A

It is submitted for the Bachelor's degree requirements fulfillment.

Qualifying Bachelor's paper contains the results of own research. The use of the ideas, results and texts of other authors has a link to the corresponding source

Research advisor PhD Economics, Associate Professor _____ L.I. Khomutenko

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ABSTRACT

on bachelor's degree qualification paper on the topic
«INTERNATIONAL FRANCHISING AS AN INNOVATIVE AND EFFECTIVE
TOOL OF BUSINESS DEVELOPMENT»

Student Korotka Milana Yriyivna

The main content of the bachelor's degree qualification paper is presented on 38 pages; including references consisted of 40 used sources, which is placed on 5 pages. The paper contains 2 tables, 8 figures, as well as 3 apps that are presented on 8 pages.

Keywords: INTERNATIONAL FRANCHISING, FRANCHISE, FRANCHISER, FRANCHISE, ROYALTIES, INVESTMENT, FRANCHISE AGREEMENT.

The purpose of the qualifying bachelor's thesis: to identify the features of the functioning of franchising in the world, to determine the advantages and disadvantages of its use and to consider the features of the franchise business model in Ukraine.

The object of research is the rise and development of franchising as a profitable form of modern business in a period of global economic fluctuations.

The subject of research is international franchising in a period of global economic fluctuations.

In the process of the research, depending on the goals and objectives, appropriate methods of research of economic processes were used, including systematization and generalization, during the theoretical substantiation – the concepts of international franchising, analysis and synthesis franchising, as well as a systematic approach to justify the prospects for further development of franchising.

The information base of the work is legislative and regulatory documents on the functioning of franchising in the Verkhovna Rada of Ukraine, the Cabinet of Ministers of Ukraine, reporting on franchising, analytical reviews and reports of

organizations working on franchising, as well as periodicals and scientific publications of domestic and foreign authors.

According to the results of the study, the following conclusions were drawn:

1. Today, international experience proves that the franchise business is one of the most promising and effective because of the many advantages.

2. Among the main factors that contribute to the successful operation and prosperity of franchise companies include stable economic development, attracting investment in small and medium-sized businesses, improving the legal framework.

3. Franchisees are much less at risk than a regular company is.

4. In Ukraine, more and more began to use the franchise form of opening new businesses. Even in the period of global economic fluctuations, the country's networks of domestic origin began to flourish very rapidly, which gives good hopes for future development and in the international arena.

The results of the study are that the conclusions and recommendations set out in the paper can be applied by start-up entrepreneurs for easy and promising franchise business without certain risks, and can be used by the government in the process of regulating the legal framework of Ukraine easier and more accessible for the citizens of Ukraine.

Results of approbation of the basic provisions of the qualification Bachelor work was considered at:

1. All-Ukrainian competition of student research papers in 2021/2022. in International Economic Relations, conducted by the Kyiv National University of Trade and Economics

2. 1st stage of the All-Ukrainian competition of student research papers in the field of knowledge 291 – international relations, public communications and regional studies in 2021.

3. 2nd International Scientific and Practical Conference «International Economic Relations and Sustainable Development» in the form of abstracts «International franchising as an innovative and effective tool for business development», held by Sumy State University, 2021.

4. The article «International franchising as an innovative and effective tool for business development» was submitted for publication in the Bulletin of Sumy State University in 2022.

5. Abstracts «Development of franchising during global economic fluctuations» are submitted to the International scientific and practical conference «INTERNATIONAL ECONOMIC RELATIONS AND SUSTAINABLE DEVELOPMENT» Sumy State University for 2022.

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TASKS FOR BACHELOR'S DEGREE QUALIFICATION PAPER

(specialty 292 «International Economic Relations»)

student 4 course, group ME – 81 A

Korotka Milana Yriyivna

1. The theme of the paper is "INTERNATIONAL FRANCHISING AS AN INNOVATIVE AND EFFECTIVE TOOL OF BUSINESS DEVELOPMENT" approved by the order of the University of «05» May 2022 № 0317-VI.

2. The term of completed paper submission by the student is «27» May 2022.

3. The purpose of the qualification paper is to identify the features of the functioning of franchising in the world, to determine the advantages and disadvantages of its use and to consider the features of the franchise business model in Ukraine during the crisis.

4. The object of research is the development of franchising as a profitable form of modern business in times of crisis.

5. The subject of research is the international franchise business in times of crisis.

6. Qualification work is performed on the materials of the university library and other libraries on the selected topic; International Database Franchise Association, European Franchise Association, Franchise Association of Ukraine, State Statistics Service of Ukrai

7. Approximate qualifying bachelor's paper plan, terms for submitting chapters to the research advisor and the content of tasks for the accomplished purpose is as follows:

Chapter 1 Theoretical and methodological principles of international franchising research. The deadline is April 10, 2022.

In chapter 1 of the postcard the essence and conceptual concepts of franchising, the advantages and disadvantages of franchising business are identified.

Chapter 2 Application of franchising in world practice. The deadline is April 26, 2022.

Chapter 2 analyzed the dynamics of the current state of franchising in different countries, determined the pace of franchising during the pandemic and examined the organization of the franchise business on the example of the Ukrainian network.

Section 3 Problems and prospects of franchising in Ukraine. The deadline is May 16, 2022.

Chapter 3 highlights the shortcomings of franchising in Ukraine and proposes strategies to address them. Prospects for further development of franchising in Ukraine in times of crisis are shown.

8. Supervision on work:

Chapter	Full name and position of the advisor	Date, signature	
		task issued by	task accepted by
1	L.I. Khomutenko, PhD Economics, Associate Professor	11.04.2022	11.04.2022
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INTRODUCTION

Today's rapid development in business now provides many opportunities and tools to easily start your own business to get a good start in the future. One such innovative and effective tool is franchising. It allows you to choose a proven way to start your own business, without reading the case from scratch and thus take risks. This is a particularly good opportunity to gain the necessary experience for start-ups who do not want to spend a lot of time inventing a new startup.

Franchising is an opportunity for an entrepreneur to get a successful business and learn how to run it for a fee, an opportunity to start a business at a high level, using the already mastered market segment. In addition to the well-known brand, buying a franchise offers many other benefits that are not available to an entrepreneur who starts a business from scratch. Perhaps the most important thing is that franchisees get a proven system of operation. New franchisees can avoid many of the mistakes that novice entrepreneurs typically make, as the franchisor has already improved their day-to-day operations through trial and error.

Franchising is an effective tool in the development of private entrepreneurship, increasing employment, solving social problems, increasing business transparency and increasing the tax base.

The development of franchising contributes to the growth of small and medium-sized businesses, which, of course, has a positive impact on the economy. And that is why franchising is spreading around the world and is becoming an increasingly used tool for doing business.

The relevance of the research topic is due to the fact that today franchising is one of the most effective and popular ways to develop the market position of small businesses and improve the economy as a whole, even in times of global economic fluctuations.

In many countries around the world, franchising has become a well-known means of meeting the needs of society in various services. And Ukraine is also not

far behind in spreading new trends. In Ukraine, franchising has already become quite a popular method of doing business and has a fairly wide range of prospects, but it is not perfect. Unfortunately, at present in Ukraine its development is hampered by many factors.

It should be noted that today the most popular franchise networks in the world are: McDonald's, Dunkin, Taco Bell, Planet Fitness, 7-Eleven Inc, UPS Store, Sonic Drive-IN Restaurants, Great Clips, Hardee's, Sport Clips, Servpro and others.

Franchise issues were studied by domestic and foreign scholars: John Von Aiken, Tsirat AV, Jan Murray, Booth TP, Lyashenko AE, Mironchuk TV, Dovgan VV, Tsymbal LL ., Gorodova OA, Shkromada VV, Novitsky VE, Mayer JM, Anufrieva LP and others [10].

The purpose of the study: to identify the features of franchising in the world, to identify the advantages and disadvantages of its use and to consider the features of the franchise business model in Ukraine in a period of global economic fluctuations.

This goal identified the main objectives of the study:

1. Investigate the theoretical and methodological foundations of franchising.
2. Identify the advantages and disadvantages of using franchising as a form of modern business.
3. Analyze the development of franchising in different countries.
4. Consider the organization of the franchise form of business on the example of the Ukrainian network.
5. Identify the shortcomings, state of development and future prospects of franchising in Ukraine.

The object of research is the rise and development of franchising as a profitable form of modern business in a period of global economic fluctuations.

The subject of research is international franchising in a period of global economic fluctuations.

The methodological basis of the work were general scientific methods of analysis and synthesis used to understand the functional purpose of franchising,

economic and statistical methods for analyzing the dynamics of franchising, as well as a systematic approach to justify the prospects for further development of franchising.

The scientific novelty of the research results is as follows: the main aspects and theoretical and methodological foundations of global and domestic franchising in times of crisis are generalized and deepened. Measures have been proposed that will be able to increase and accelerate the development of franchising in Ukraine, even in a difficult situation. The paper also explores the advantages and disadvantages of modern franchising. The tendencies of franchising development in different countries of the world and how the development of franchising has a positive effect on economic indicators in the country are analyzed. The most popular franchises have been identified. The organization of franchising on the example of one of the most promising franchises of the hometown is considered.

The practical significance of the results of the study is that the conclusions and recommendations set out in the paper can be used by start-ups to easily and promisingly franchise business without certain risks, and can be used by the government in regulating the legal framework of Ukraine, making business easier and more accessible for Ukrainian citizens.

The information base of the work was legislative and regulatory documents on the functioning of franchising in the Verkhovna Rada of Ukraine and the Cabinet of Ministers of Ukraine, reporting on the development of franchising, analytical reviews and reports of franchise organizations, as well as studies of domestic and foreign researchers.

The results of approbation of the main provisions of the qualifying bachelor's thesis were considered at:

1. All-Ukrainian competition of student research papers in 2021/2022. in International Economic Relations, conducted by the Kyiv National University of Trade and Economics

2. 1st stage of the All–Ukrainian competition of student research papers in the field of knowledge 291 – international relations, public communications and regional studies in 2021.

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1 THEORETICAL AND METHODOLOGICAL PRINCIPLES OF INTERNATIONAL FRANCHISING RESEARCH

1.1 The essence and types of franchising

Franchising is a popular business expansion strategy for many companies involved in goods and services. In recent years, franchising has emerged as a very important strategy for business development, job creation and economic development in both local and international arenas of retail business. And every year franchising becomes more common.

At least two levels of people are involved in the franchise agreement, namely the franchisor who borrows his trademark or trade name and business system and the franchisee who pays royalties and often the initial fee for the right to do business under the franchisor's name [2]. And a contract that binds two parties is called a franchise. The franchisee undertakes to have business contacts exclusively with the franchisor company, as well as to conduct business in accordance with its charter.

For start-ups, franchising is a good opportunity to start your own business and get a stable one without much risk and time to create your own idea. After all, the entire system of raw material supply, the choice of business location and other points are carefully thought out, tested and adjusted. As for large and experienced companies, franchising is also very profitable due to its accelerated expansion.

The main responsibility of the franchisor is to grant a license for the trademark and the transfer of knowledge to conduct this business, as well as support the partner throughout the term of the contract. And the franchisee only has to comply with all standards and regulations of the network and deduct franchise payments.

There are three main types of franchising [20]:

1. Commodity franchising. This type is the sale of goods produced by the franchisor under a registered trademark. That is, the franchisee buys the right from the leading company to sell goods with their trademark. The franchisee simply buys the goods from the franchisor and then resells them.

2. Production franchising. This type serves as a transfer of know-how, for example, in the form of production technology. Thus, the franchisee can manufacture products adhering to the same quality, parameters and type. Thanks to the agreement, franchisees put a trademark on the finished product, which belongs to the franchisor, as well as sell manufactured products [22]. Some authors provide examples of production franchising that are in fact a production license. In order for such a license to be called a franchise, it is necessary that the know-how transferred by the franchisor relates not only to the technology of production, but also to the technology of sales, marketing, etc. In fact, in Ukraine there are only a few companies whose activities could be attributed to production franchising, the same Coca-Cola plant in our country operates on the basis of a production license.

3. Business franchising or "business format franchising". This type of franchise is the most used. After all, it allows the franchisee to buy a license for the right to open their own shop, kiosk, cafe for the sale of goods on behalf of the franchisor. Franchisees only need to pay a certain amount of money. These are fixed and advertising fees. Business franchising is unique in that the franchisee buys the entire business concept at once, from the design of the institution, special clothing for staff, staff training, supplier list to marketing.

There are certain principles of cooperation in franchising, namely [22]:

- the franchisor has a proven business concept;
- franchisees receive from the franchisor knowledge of proper and safe business;
- the franchisor imparts to the franchisee knowledge of how, in fact, it is necessary to conduct business;
- the franchisee pays a significant lump sum once at the beginning of the cooperation, as well as makes periodic fees for the use of the idea, but much less;
- franchisees do not have the right to make their own decisions, for example, to change prices or make any sales and promotions;
- agreement – is the main document of cooperation between the franchisor and the franchisee. He highlights the main points of cooperation.

1.2 Advantages and disadvantages of franchising

Franchising is gaining momentum around the world. And so there are more and more questions about whether to engage in this type of activity at all. And to answer this question you need to consider the advantages and disadvantages of franchising.

Any businessman or company that decides to start a business under the auspices of a franchise has many advantages.

First, the recognizability of the brand they rent. It is clear that this rule does not always work. There are many franchisors, a brand that is known only at the regional level. However, most companies that offer franchises, recognition and great success not only in our country but also abroad.

Secondly, the high speed of promotion of their business [7]. One can imagine how much time can be spent on independent business development, as well as on gaining the trust of consumers. But if you have bought a ready-made business, you will be able to make such profits that you could think of only in a few years. An example is the purchase of the McDonald's franchise. On the first day of the opening of these fast food cafes in major cities, experts counted more than three thousand people standing in line.

Third, learning. If an entrepreneur has acquired a franchise, he will not need to spend years learning to do business, or simply to understand how the business works. He will be able to get all the knowledge not from his own bitter experience, but from special training courses that the franchisor distributes to all his franchisees who have signed a contract with him. It is worth noting that to succeed in business you will need to work on acquiring certain skills before you start your own business.

One of the benefits is support and advice. A normal franchisor always provides the full range of support to his wards [18]. Thanks to this, they can avoid those offensive mistakes that are simply inevitable in the independent development of their business.

For advertising campaigns and paraphernalia in the case of using a franchise, franchisees also spend an order of magnitude less. After all, all the advice and recommendations about advertising slogans, colors and appearance of the company's paraphernalia can be obtained from your franchisor. Some companies with which a franchise agreement is concluded may even provide the necessary equipment to work [17]. And its cost will be included in the lump sum.

An important advantage is that the business will immediately receive a clear territorial demarcation, as evidenced by the franchise agreement [21]. The border for doing business will be immediately discussed in the contract. As soon as the franchisee buys a license, he can run and grow his business in a certain area. The threat of competitors who own the same franchise is removed automatically. An entrepreneur who runs his own business can never know for sure where competitors may be hitting.

It is worth noting the lack of need to find suppliers. The franchisor provides a free list of those with whom he works and no need to think about where to find raw materials and equipment, how to arrange a point of sale.

If the franchisee needs to take a loan to successfully start and run a business, the organizing company will be able to become a guarantor in the bank [16]. Many novice businessmen who do not work for a franchise do not have such a guarantor.

The franchisor itself also has many advantages, namely:

- fairly rapid business expansion in different regions or countries, with minimal costs [16];

- minimum of risks, because the franchisee is engaged in conducting and developing the business and he assumes the risks;

- high brand awareness, because the more shops or restaurants and other establishments open, the more people learn about the existence of the brand. And that's what makes it popular;

- sales revenue. The franchise is not transferred for free. The owner company receives income from this [16].

However, as with any business, franchising has its downsides.

First, the strict rules of cooperation [16]. After concluding the contract, the franchisee is obliged to comply with the rules and regulations set forth in it. Whether the business pays off or not.

Secondly, the list of suppliers is closed. The franchisee is obliged to buy goods only from those suppliers, a list of which was provided by the organizing company [16]. Even if the products are not very high quality and cost more than competitors.

Third, the condition of «avoiding competition». An entrepreneur who has decided to run his own business has no right to open a competing company in the same territory [17]. He cannot start cooperating with other franchisors selling similar products or services. All this is spelled out in the contract.

Large initial investments are another disadvantage of franchising. After all, to open a franchise also requires a lot of money.

Another disadvantage is the termination of the contract unilaterally [18]. A franchisor who decides that a partner does not comply with the terms of the agreement may not only demand termination, but also sue for illegal use of the trademark. Such situations are rare, but they do happen.

It is worth noting such shortcomings as the liquidation of the host company or a change of leadership. Nobody is insured against this. This is especially common in times of crisis.

There are also some disadvantages for the franchisor, namely:

- there is no confidentiality, because when selling your brand, the franchisor sells his secrets, there is a risk of spreading trade secrets;
- unification of accounting programs [7];
- special control over compliance with the terms of the franchise is required.

When selling your «name» it is important not to lose the image you have been working on for a long time.

Thus, franchising is a business organization that allows a party to own the right to sell goods, products or services of the company to another party for a fee. For young businessmen it is an experience of work in the entrepreneurial sphere and

an opportunity to develop their business. Also, buying a franchise gives a number of other benefits that the entrepreneur does not have at the initial stage of development of his business. A novice entrepreneur has the opportunity to work with an already well-known brand, which does not require a lot of money and time to promote. You can immediately receive income without financial costs. Also, this way you can avoid the mistakes that are usually made at the stage of opening a case. However, franchising has its disadvantages, which include: large initial investment, strict regulations of cooperation and others. Therefore, in order to properly and profitably organize a franchise business, all the pros and cons must be considered to ensure maximum benefit for both parties.

2 APPLICATION OF FRANCHISING IN WORLD PRACTICE

2.1 Features and development of franchising in different countries

As franchising is gaining momentum and popularity around the world, it is worth considering its development in different countries.

The United States is a world leader and home of franchising. The industry employs more than 9 million Americans, and its share of the country's GDP is more than \$ 600 billion, or about 4%. The franchise sector in America is growing faster than the economy as a whole.

The United States has more than 2,000 franchises and more than 760,000 franchise points. Franchising is developing 75 activities [19]. Popular areas are fast food, services, sports and fitness, real estate, entertainment, retail.

The main legal documents governing this relationship are [11]:

1. Franchisee Disclosure Document (FDD). The purpose of this document is to provide the future franchisee with complete information about the franchisor, which will help him make an informed decision.

2. The franchisee then signs the Letter of Intent (LOI), according to which he undertakes not to disclose all further information provided to him. Based on this protocol, the applicant obtains access to all confidential information of the franchisor for further study.

3. After reviewing the FDD and LOI, the franchisor and the franchisee sign a franchise agreement and an exclusive territory agreement.

The United Kingdom should also be considered. According to the British Franchise Association (BFA), four out of five British brands use the franchise model. Franchisees are attracted by fast and affordable registration, established legal system, support from the state. In 2019, the share of franchise companies in the country's economy amounted to 17 million euros. This is more than 930 franchise brands and 39,000 franchise outlets. The industry employs more than 700,000 people. Popular areas: fast food, pubs, children's sports, real estate, services, insurance, building materials, IT. The main legal documents are the franchise

agreement, which regulates the business relationship between the franchisor and the franchisee, and the Code of Ethics – British Franchise Association, which sets strict business standards by which franchisees are accredited [9].

France ranks fourth in the world in the number of franchisors and franchisees and first in Europe in terms of sales in the franchise sector. Although the market is mature and extremely competitive, it continues to grow. According to the French Franchise Federation (FFF), the sector has doubled in 10 years.

France has more than 1,900 franchisors and 71,000 franchisees, with a total turnover of more than 57 billion euros. Popular areas: retail, automotive, hotel and restaurant businesses, services. Basic legal documents: The Disclosure law, or Loi Doubin – the law sets out specific obligations to disclose information about the franchise). The European Code of Ethics for Franchising – The European Code of Ethics defines the basic principles of interaction in franchising.

It is worth considering how franchising is developing in Germany, as the German economy is the 4th largest in the world, accounting for more than 1/5 of EU GDP. Franchising in Germany is a dynamic business sector with annual growth. In five years, sales in the industry grew by more than 35%, and in 2019 – by 9.4% [8]. Germany has 990 franchise networks and more than 120,000 franchisees, with more than 700,000 employees in the industry. Popular areas: services, retail, entertainment, health care, care for the elderly.

Canada is the second largest franchise industry in the world, second only to the United States. The sector currently accounts for more than 100 billion Canadian dollars, or 10% of Canada's GDP, and employs more than 1 million Canadians in the industry. Canada has 1,300 franchise brands, and approximately 4,300 new franchise outlets open each year. Popular areas: restaurant and hotel business, care for the elderly, retail, innovation, health, ecology.

Australia has an incredibly positive climate for franchising business development. According to the International Franchise Association, the continent has more franchise points per capita than any other country, and 3 times more than the United States. At the same time, the market continues to grow, so in 2020 it is

expected to grow by 2%. There are 1,100 franchises and more than 65,000 franchise points in Australia, with 92% of franchises being local non-international brands. Popular areas: retail, fast food, fitness, hospitality industry, care for the elderly. The basic law is the Franchising Code of Conduct – a code of conduct in franchising, which includes the requirement to disclose information about the franchise and the rules of franchising agreements [4].

Today, India is one of the most attractive markets for franchising in the world. According to the Indian Franchise Association, by 2020 the total turnover of franchise companies will exceed \$ 50 billion (4% of India's GDP), despite the fact that only a few years ago it was no more than 13 billion [19].

India has more than 1,800 franchise networks, about 120,000 franchisees and more than 200 foreign franchisors. Popular areas are restaurant business, education, retail, healthcare, beauty industry, entertainment, services, tourism. Basic Law: The Companies Act – The Companies Act regulates the registration, liability and liquidation of all types of companies in India.

Today, China has the largest number of franchises in the world. The annual market growth is over 40%. In a growing economy, franchising is a successful and fairly cheap way to enter the consumer market. The share of private investment in franchising and the growth of state-owned companies in the industry is expected to increase in the near future.

China has more than 4,500 franchise brands and 400,000 franchise outlets, with sales of about 330 billion yuan, or about \$ 46 billion. Popular areas: retail, restaurant business, children's education, coffee shops, ice cream. The main legal documents: The Commercial Franchise Administration Regulation is a regulation on the management of commercial franchising, the rules of which regulate franchising relations.

Indonesia is the third fastest growing economy in Asia and the largest economy in Southeast Asia. The franchise market is just beginning to develop, and at this stage is interested mainly in stable and large foreign franchise brands, preferably in retail. Just over 200 franchisees, 41% of franchise brands from the

United States, the rest from Singapore, Thailand, Malaysia, Japan, Australia and other countries [19]. Popular areas: restaurant business, retail, education. Basic Law: Surat Tanda Pendaftaran Waralaba is a franchise registration certificate that can only be obtained by providing supporting documents and proving that the company meets strict criteria.

Malaysia is one of the fastest growing franchise markets in Asia. The government promotes the development of the market and takes active measures to support the franchise business: provides tax benefits and reimburses up to 90% of the cost of developing a franchise. More than 850 franchise brands, the franchise industry accounts for 2.7% of the country's GDP, the market is estimated at 23.6 billion dollars [19]. Popular areas: retail, services, medicine, beauty salons, proper nutrition, education, fitness. The basic law is the Franchise Agreement — the franchise agreement regulates the rights and obligations of the parties to the agreement.

2.2 The impact of the pandemic on the development of franchising

The pandemic has worsened the franchise market. From April 2020 to the first half of 2021, the demand for business models decreased significantly, especially in the field of catering and fashion stores.

During the spring lockdown of 2020, every fifth franchise point was closed. Demand for franchises in September 2020 added 15%, and from the second half of October of that year again showed a negative trend – minus 8% [4].

Analyzing Figure 2.1, only pharmacies and grocery stores showed growth. The number of pharmaceutical companies that opened under the franchise increased by 30%, grocery stores – by 28%. The number of partnership points in the service sector increased by 17%. The increase was mainly due to the points of ordering marketplaces [3].

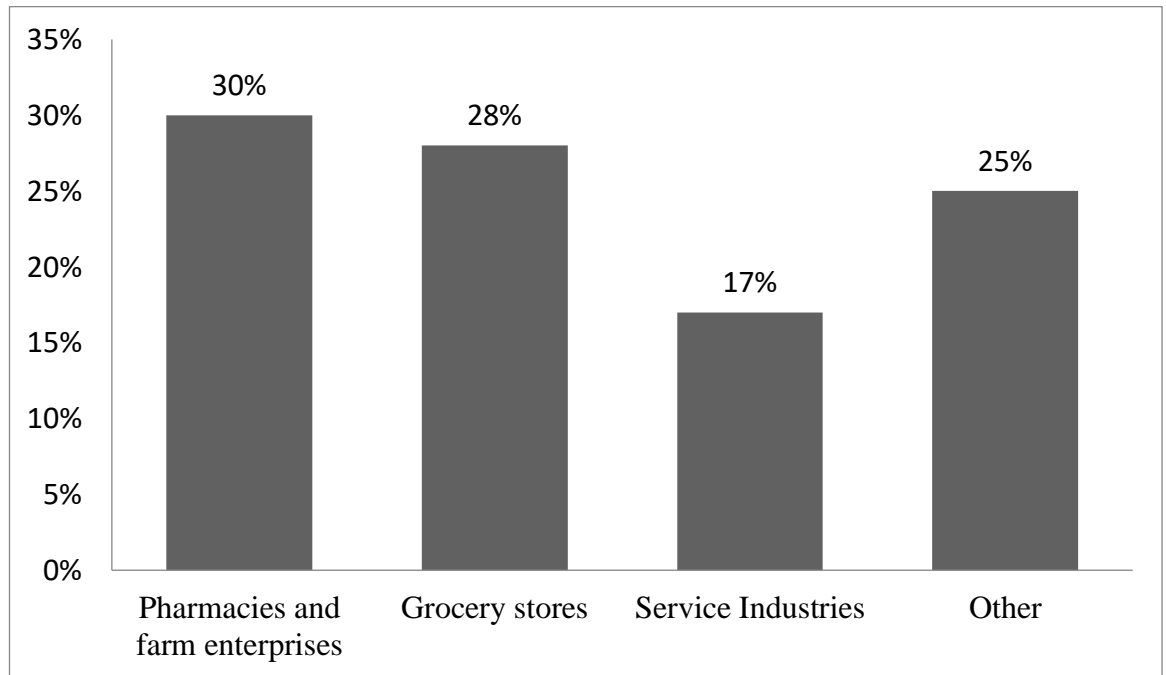


Fig. 2.1 – The amount of franchise increases during the April 2020 pandemic – 1st half of 2021

During the pandemic, 72% of franchisors did not cancel royalties for partners, but 56% of them still reduced the fee. It is worth noting that 80% of franchisees surveyed did not receive assistance from the authorities during the crisis [3].

The economic crisis caused by the pandemic has seriously affected the global franchise market, and its negative impact continues. Developing countries, including India, Taiwan and Brazil, which are among the top 5 countries in the number of franchises, will not receive \$ 800 billion in export revenue in 2020 – such a forecast was made at the UN Conference on Development and Trade. Up to 95% of all non-food stores in India have been closed due to quarantine measures. The food sector, according to the Indian Retail Association, could receive only 56% of last year's revenue [4].

Franchisees working in large cities (with a population of 500,000) suffered the most. In them, interest in franchises decreased by 23–37% [3], due to falling demand and economic activity in general. The number of search queries related to franchising, compared to early March fell by 2.5–3 times.

According to a report recently released by the International Franchise Association (IFA), more than 1.4 million jobs and more than 32,000 franchisees have been lost in the franchise industry in the United States since the coronavirus pandemic began. Prior to Covid-19, about 8 million Americans worked in the franchise sector. The report details the impact of the pandemic on US franchisees. The numbers are really shocking. In the first six months after the outbreak, about 32,700 franchise businesses closed. 21,834 enterprises were temporarily closed and 10,875 enterprises closed permanently. In addition, the franchise sector is estimated to have lost 1.4 million jobs. Of which 59.8% were temporary and 40.2% were permanent. In addition, the report estimates that about 36,000 franchisees will close within the next six months without additional state aid [3].

A report prepared by the reputable research company FRANdata shows that Covid-19 has caused a huge number of closures and layoffs in all franchise companies. These are local public facilities such as gyms, dry cleaners, restaurants and bars. And to prevent further closures and layoffs, especially of the most affected businesses, additional large-scale and long-term government action is urgently needed.

It is worth noting that restaurateurs were probably the first to be influenced by COVID-19. Many have reported an increase in demand for delivery. Figure A 1 also shows that only 43% of institutions in Ukraine remain open, 27% are open for delivery, and the rest have been forced to close because they have not been able to fully bring their work in line with the new legal requirements and are in a state of disrepair. bankruptcy. In particular, this affected networks specializing in fast food, pizza and sushi. Food delivery services, such as Delivery Club and Yandex.Food, also reported on the growing number of orders. Their services began to be used even by those establishments for which delivery used to be an unconventional way of serving customers. For example, a network of cafes and kiosks with ice cream.

In the United States, such large chains of fast food restaurants and cafes as KFC, McDonald's and Starbucks, are now completely transferring their corporate establishments to work exclusively for delivery, closing the halls and maintaining

the possibility of remote ordering and self-pickup. Franchisees were advised to do the same. Against this background, McDonald's is considering agreeing to postpone the payment to landlords, as well as wait to receive royalties from American franchisees.

It can be assumed that the pandemic caused a really large-scale change in the development of franchising. Unfortunately, they are more negative. After all, looking at a study by the International Franchising Association, we can see that the demand for new franchises has decreased significantly. And in general, many companies that worked on the franchise in 2020 and early 2021 went bankrupt and closed. This is especially true of restaurants, sports clubs and dry cleaners. But now, in early 2022, many institutions have gradually begun to resume their work. Demand for all services has fallen sharply. Everything began to adjust, prosper and develop.

2.3 Analysis of franchising activities on the example of the well-known Ukrainian network of bakery products «Family Bakery»

Fedets Family Bakery has been gaining momentum in the Ukrainian market since 2009. The success of this company's projects is staggering. And an example of a flawless concept of the institution for the manufacture of bakery products is «Family Bakery». And unsurpassed delicacies can already be tasted in almost all cities of Ukraine.

«Family Bakery» combines not only the impeccable taste of pastries, which is made with the Ukrainian soul, but also good European quality at very affordable prices.

«Family Bakery» has a truly unique range: more than 50 types of bakery products. The principle of the network is to be in a convenient place for the consumer, where he could quickly make a purchase. The markup is small, so bakeries do not go to shopping malls. Because the rent in the mall will simply «eat»

all the benefits. The network is still being developed in separate LFAs in street retail and markets.

As many as 95% of the company's more than 400 bakeries operate under franchise. The company supplies the franchisee with 100% of the products. Deliveries are made once in 1–2 days. Now the average time from the development of a new type of product to its appearance in the warehouse – 14 days.

When buying a franchise «Family Bakery» must take into account the following conditions:

- a lump sum of \$ 5,000;
- investments from \$ 12,000;
- 6 months is the amount of time needed to cover project costs;
- \$ 1,000 – earnings you can count on every month.

The lump sum includes: staff training, selection of premises, sales standards, cooking technology, branding, marketing support.

The process of launching a franchise is as follows:

- choice of premises. Checking the future object for compliance with the criteria. Criteria: places with high pedestrian traffic (near markets, subway exits, supermarkets), area – from 20 square meters. m., electricity – from 15 kW, the availability of water supply, sewerage;

- agreement. Discussion of all details and conclusion of a cooperation agreement;

- project development. Development and visualization of the future bakery;

- training. Personnel training;

- launch and maintenance. Support for the bakery from the opening day.

The Family Bakery chain has already become quite popular in small towns of Ukraine and has been a great success, as evidenced by good profits. To confirm the truly successful and rapid development of the Family Bakery network, an analysis was made of the distribution of the bakery franchise in the city of Sumy.

In Sumy, there are more than 7 «Family Bakery» operating under the franchise. For the analysis 4 were taken, which are located in different parts of the city:

1. Zasumska Street, 2.
2. Mykhailo Lushpa Street, 39.
3. Levaneuskoho Street, 2
4. Strelka River Embankment Street, 3.

It is the bakeries located on the above streets that opened in one period and allow us to assess their real situation and development.

Table 2.1 – Statistics of sales of «Family Bakery» products in the first half of 2022

Month	Revenue, UAH	Profit, UAH	Number of checks, pcs	Number of visitors	Average check, UAH
January	1086166,00	483970,87	30 979	30 979	35,00
February	958220,00	411134,04	26 626	26 626	36,04
March	1668533,06	676008,10	19 897	19 893	83,93
April	1854701,82	640875,89	34 838	34 834	53,31
May	1929838,31	813184, 97	26 613	26 613	42, 61

Analyzing table 2.1, we can see that the amount of profit in 2022 is growing every month. At the beginning of 2022, in January, the profit was 483970, 87 hryvnias. With the beginning of the war in Ukraine, namely in March, profits jumped by almost 30% and amounted to 676,008.10 hryvnias, although the number of visitors decreased to 19897 people. In May 2022, there was also a significant increase in profits – 813184, 97 UAH., The number of buyers is also very decent –

26613 people, especially considering that a significant number of Sumy residents were forced to flee their homes due to martial law in the country. And judging by the sales figures, the Family Bakery chain is one of those that did not suffer during the pandemic or during the war. After all, most of the population always needs to buy bread. And in times of crisis, as we see in table 2.1, the need for this has grown even more. And these figures again prove the success of chain bakeries.

The most popular and most purchased products in the network «Family Bakery» in the first half of 2022 are:

- baked hot dog: average number of sales per month 3722 pcs .;
- coffee: average sales 2394 pieces;
- cappuccino: 2262 pieces;
- croissant with chocolate: 2070 pieces;
- puff with ham and cheese: 1906 pieces;
- coffee with milk: 1734 pcs.

So, it is worth noting that people will always be relevant to buy bakery products. «Family Bakery» attracts an extraordinary number of customers due to its versatility, as it combines not just a shop with the production of bakeries, but also a real cafe and confectionery.

Table 2.2 – Statistics of sales of products «Family Bakery» in the period 2020–1st half of 2022.

Year	Revenue, UAH	Profit, UAH	Number of checks, pcs.	Number of visitors	Average check, UAH
2020	13 532 594,91	5 730 632,21	501 314	501 314	27,03
2021	15 128 019,02	6 502 506,13	474 349	474 349	31,92
1st half of 2022	7 702 401,26	3 527 028,74	139 049	139 050	48,28

Analyzing table 2.2, we can see that for two and a half years of rapid development and high profits, the network «Family Bakery» is convinced of its excellence and prospects. After all, the profit figures for 2020, 2021 and the first half of 2022 are really impressive, although there were many obstacles to successful development, because these years were difficult both because of the long pandemic and the beginning of the war.

So we can highlight the following benefits of the franchise «Family Bakery»:

- quick payback of the first installment;
- resilience in a crisis;
- high trade margin of 200–300 percent;
- profit from the first month of work.

So, in just a few years, the franchise market has grown several times. In many countries, this technology has given impetus to economic development. The system of international franchising creates favorable conditions for companies to enter the domestic markets of other countries through the introduction of their products through franchise firms. Today, the franchise system in the United States is the largest in the world. Also the most large-scale franchising is developed in Great Britain, Germany, France, Spain. Popular industries in the field of franchising are fast food restaurants, hotel business, services and retail. As for the development of franchising in Ukraine, it is also developing rapidly. And one of the examples of successful business that operates under the franchise system in Ukraine is – «Family Bakery». This network, even in times of crisis for Ukraine, only improves its performance every year and successfully spreads throughout the country. And with such a fairly rapid pace of development and excellent quality, it will not be surprising if such a Ukrainian network in the future will enter the international arena of business without risks.

3 PROBLEMS AND OPPORTUNITIES OF FRANCHISING DEVELOPMENT IN UKRAINE

3.1 The state of development of the franchise business in Ukraine

The development of franchising contributes to the growth of small and medium-sized businesses, which, of course, has a positive impact on the country's economy. Every year the number of franchisors and franchise points grows. The Franchise Association of Ukraine has determined the number of franchise projects to date. And this is more than 700 projects. In fig. 3.1 presents the dynamics of franchise networks in Ukraine over the past five years.

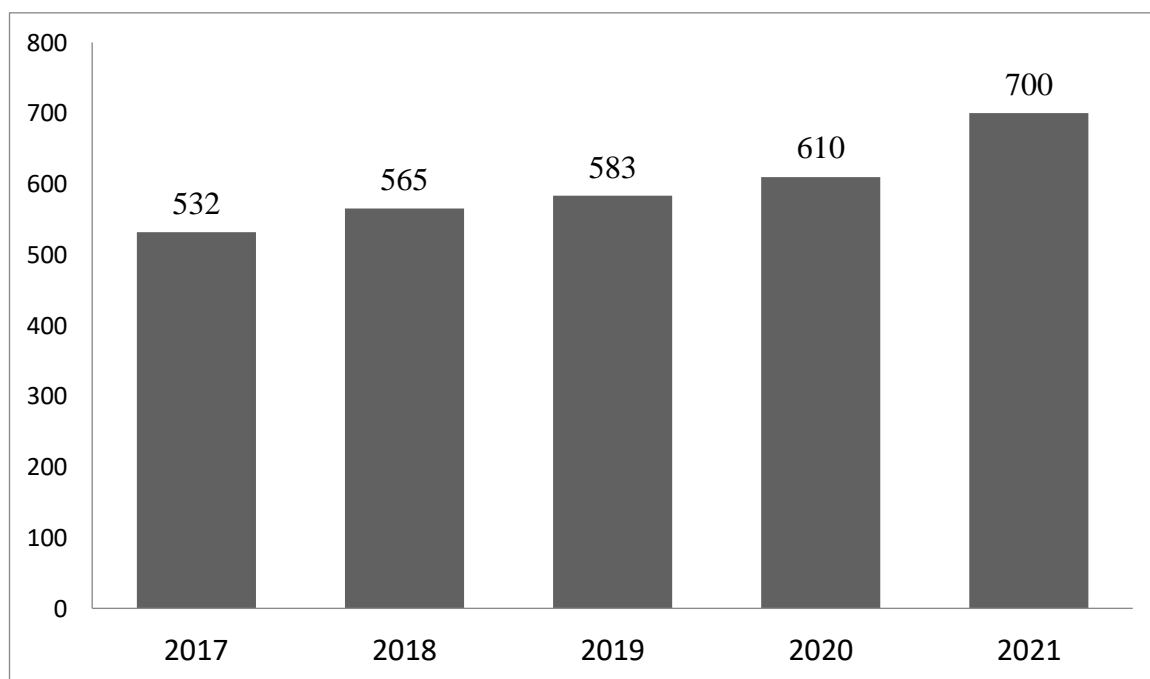


Fig. 3.1 – Dynamics of franchise networks in Ukraine in 2017–2021. (units)

[22]

Today, more than 30 franchise projects from Ukraine operate in the international arena. According to experts from the consulting company Franchising Full Cycle, this figure will grow every year. After all, many entrepreneurs go abroad, visit international franchise exhibitions to learn international experience and find new ideas and concepts for business.

Franchising in Ukraine is developed in almost all sectors of the economy. The most popular areas are:

- catering (fast food, street food, bakeries, coffee shops);
- services (beauty salons, spa, nail and beauty bars, dry cleaners, travel agencies and real estate agencies);
- development of children (developmental and educational clubs, centers);
- medicine and health promotion projects.

InVenture has compiled a brief overview of the most popular franchises in Ukraine for 2021. This list includes [3]:

1. France. ua is the place where you can taste real traditional French pastries. Lump sum contribution up to \$ 6,000, investment – up to \$ 2,000, and payback period – 16–18 months.

2. Lviv Croissants is a chain of establishments that includes a coffee shop, a bakery and a confectionery. This is an incredible concept that shows all the color of Lviv. Lump sum contribution – \$ 30,000, investment – \$ 25,000, payback period – from 3 to 6 months, royalties – 3% of turnover per month.

3. Aroma Kava is a chain of cafes that is famous not only for delicious coffee, but also for a huge selection of drinks with added coffee. The lump sum is \$ 20,000, the required investment is \$ 15,000, the payback period is up to 7 months, and the royalty is 2% of the monthly turnover.

4. Pizza Celentano Ristorante – the first chain of pizzerias in Ukraine, which is in almost every city. The amount of investment required is up to \$ 50,000, and the payback period is about two years.

5. Salateira is an institution about healthy and balanced nutrition. Everything is prepared only from farm products that are thoroughly tested for quality. The amount of investment is 120,000 dollars, the entrance fee is 30,000 dollars, and the payback period is up to two years.

6. Fornetti – a network of bakeries with 450 establishments throughout Ukraine. The required amount of investment is up to \$ 15,000. Payback period of investments – up to 10 months.

7. Grill Pub – a chain of restaurants, the concept of which is based on the production of grilled dishes. There is no entrance fee, the required amount of investment is from \$ 20,000. Royalties – 2% of monthly turnover, and the payback period of the investment from 5 to 8 months.

8. Mafia – a chain of restaurants serving traditional Japanese and Chinese cuisine. The cost of the franchise starts at \$ 25,000, everything will depend on the area of the institution, royalties – 5% of monthly turnover, payback period – up to two years.

9. Family bakery – Ukrainian network, which operates both a small cafe and a bakery for a variety of pastries with a Ukrainian soul. Investments – from 13,000 dollars. Lump sum fee – \$ 5,000. Payback period – from 8 months.

10. Dream Hostel – a network of new generation hostels with a completely different vision of what comfort looks like. To open such a hostel you need to invest in the company from \$ 20,000 and pay an entrance fee of about \$ 15,000. The amount of investment to open from \$ 40,000. Payback period is up to three years, but it all depends on the type of hostel.

11. IT Education Academy – a network that focuses on training and education of IT industry professionals. Admission from \$ 6,500. The amount of investment – from 5,000 to 30,000 dollars. Payback period – up to two years.

12. Eco-Shop – a network whose concept is to sell only organic farm products, without various impurities. All products are only natural and of the highest quality. The amount of investment is from 20,000 dollars, a lump sum – 15,000 dollars, royalties – 4%. Payback period from 6 to 12 months.

Despite the positive trends in the development of franchising, there are many problems in this area. For example, there is no clear legislation governing the relationship between franchisors and franchisees. There have been several attempts to pass a law on franchising, but the question still remains open. Therefore, we can conclude that the government does not show much interest in the franchise sector, which has a negative impact not only on market development but also on the economy as a whole.

The development of franchising is hampered by the lack of qualified specialists in this field, as well as the low level of knowledge about franchising among entrepreneurs.

There are some problems with lending to franchise projects. For Ukrainian banks, the franchise business is a high-risk investment, so they are reluctant to lend to entrepreneurs.

And the main problem today is the inhibition of the development not only of franchising, but also of the whole economy and life in general – the war and aggression by Russia, which is taking place in Ukraine. Both the consequences and the period when this conflict will end are very difficult to predict.

But despite all the difficulties associated with the implementation of franchise projects, the number of quality franchises and franchisors in Ukraine is growing every year. New projects are emerging that are successfully developing in Ukraine. And it is safe to say that when some difficulties and enemies are overcome, Ukraine will surely become an example to follow not only its disobedience, courage, justice and resilience, but also really rapid development in all areas.

3.2 Strategic prospects for the implementation of international franchising in Ukraine during the war

Since franchising has a positive impact on the country's economy, it is necessary to formulate strategic prospects for its further development.

First, most of the problems of franchising are related to the poor training of entrepreneurs, who could be both franchisors and franchisees. To solve this problem, it is necessary to create an educational system that would significantly expand the training of domestic entrepreneurs in the field of franchising. You can organize various exhibitions and conferences, where experienced experts will talk about the legal aspects of franchising in Ukrainian and international practice, will talk about

both successful and unsuccessful experiences of various franchise companies, how to choose the right business concept.

To increase the awareness of enterprises about doing business through franchising, it is necessary to pay more attention to the study of franchising in practical classes in higher education, as well as to conduct research in franchising. Thus, Ukraine will have more qualified specialists in this field.

Also, young Ukrainian entrepreneurs will be able to study in business schools before opening their franchise. After all, for the successful development of the franchising market and attracting investors, it is very important to have knowledge of international standards and the ability to train quality staff.

Secondly, in order to solve the problems of franchising agreement development in Ukraine, it is necessary to strengthen the legal framework by adopting the Law of Ukraine «On Franchising», which will provide for the relationship between franchisor and franchisee, features of legal regulation of commercial, industrial and business franchising. After all, it will help to develop a unified approach to understanding such relations between all its participants.

Third, the Ukrainian government needs to create a system of tax benefits for the franchisee, especially at the initial stage of its development. Thus, it will stimulate Ukrainian entrepreneurs to work on the franchise.

Also, in order for franchising to develop in Ukraine, it is necessary to create programs that will include financial support and assistance in enterprise management. After all, in order to buy a franchise and start working, you need to have start-up capital, which can not always be borrowed and the amount of which varies considerably depending on the type of activity. Therefore, you can do this: each new franchisee will receive financial support, of which 50% – a grant, 50% – a loan at a low interest rate. Thus, in 5–6 years the number of franchisees will double.

As for solving the main problem, which is the most pressing and worrying today, namely the war in Ukraine, it is difficult to plan and predict something. But there are some prospects, even in such a difficult period. Especially if you pay attention to the fact that small and medium-sized businesses in this situation are

developing quite rapidly. This is especially true of bakeries, various grocery stores and pharmacies. After all, these goods will always be in demand. So, now, even if you start a franchise business in Ukraine, it should apply to those goods and services that people will not do without at any time: medicines, food, some household goods. But when opening an institution, you also need to be careful, especially more attention should be paid to the location of this institution and try to make it as safe as possible.

Now is the time to develop Ukrainian franchising rather than introduce something from abroad. Yes, the situation on the territory of Ukraine is quite complicated, but even in such circumstances, development should not be stopped. On the contrary, we must try to improve and grow. After all, the expansion of franchising systems in Ukraine entails the emergence of new products and services, attracting foreign investment in the Ukrainian economy, improving the culture of business relations, improving the legal protection of small businesses, creating new jobs, employment, saturation of regions with high quality goods, services and modern management technologies of doing business, increasing the level of tax revenues and a number of other benefits.

Thus, franchising has a significant positive impact on the socio – economic development of countries, stimulates the development of small and medium businesses, helps to increase employment in the areas of services, works and sales of goods. And for the development of franchising in Ukraine, there are quite wide opportunities. But much remains to be done to realize these opportunities.

CONCLUSIONS

Franchising is a proven method of doing business that has been successfully used in many industries by thousands of business people around the world. Franchising allows you to have your own business under a successful brand, which does not require a lot of money and time to promote.

Franchising, like any other activity, has its advantages and disadvantages, both for the company – the owner and for the franchisee. Benefits of franchising: risk reduction, standardized products and system, national and local advertising programs, training and consulting, brand awareness, high speed of business promotion. When running a franchise business, an entrepreneur can count on a quick start and quick achievement of the desired results. But, like any business, franchising has its drawbacks. These include: strict rules of cooperation, a closed list of suppliers, large initial investments, strict quality control.

Franchising business is developing rapidly and dynamically around the world, as franchising has a significant positive impact on socio – economic development, stimulates the development of small and medium businesses, increases employment in services, works and sales. To date, the number of both franchisors and franchisees is only growing. The largest number of franchisees belong to the United States. Also, the largest franchises are developed in the UK, Germany, France, Spain, South Korea, Canada and Japan. Popular industries in the field of franchising are fast food restaurants, hotel business, services and retail.

There are many successful domestic businesses in Ukraine that also operate under a franchise system. Among them are the following establishments: France.ua, Pizza Celentano Ristorante, Lviv Croissants, Aroma Kava, Grill Pub, Mafia, Family Bakery, Dream Hostel, IT Education Academy, Eco–Shop and many others.

Every year the franchise market in Ukraine grows significantly and is not going to stop its development, even in times of crisis. And this proves once again

that Ukraine is very purposeful and will overcome all obstacles and become an example to follow.

And even today franchising has wide prospects for development in Ukraine. However, for their implementation it is necessary to create certain conditions, namely: the necessary implementation of state aid in financial and credit support, create programs that will include financial support, management assistance, create a system of tax benefits for franchisees, create some educational institutions and consulting institutions areas that will help entrepreneurs to master and develop this type of business, as well as hold various conferences and exhibitions, where future franchisees will learn about the experience of already successful companies. Therefore, in view of this, a number of important steps should be taken in Ukraine to spread it, which will have a significant positive socio-economic effect in the development of our country.

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39. Franchises A-Z [Електронний ресурс] – Режим доступу до ресурсу: <https://www.franchising.com/franchises/r.html>.

40. Конституція України [Електронний ресурс] – Режим доступу до ресурсу:<https://zakon.rada.gov.ua/laws/show/254%D0%BA/96-%D0%B2%D1%80#Text>.

APPENDICES

Appendix A

ANNOTATION

Korotka M.Y. International franchising as an innovative and effective tool for business development: – Bachelor's qualification paper. Sumy: Sumy State University, 2022.

One of the important properties of franchising is an efficient and fast process of acquiring practical business skills. Franchising gives a great chance of success, and thus becomes an increasingly popular way of doing business around the world. Therefore, the bachelor's qualification paper is devoted to the study of franchising, especially its development trends in different countries. Theoretical aspects of franchising in the international business environment are studied. Identified advantages and disadvantages of franchising. The current state of franchising in Ukraine, its problems and solutions are analyzed.

Key words: franchising, franchisees, franchisor, franchising business.

АНОТАЦІЯ

Коротка М.Ю. Міжнародний франчайзинг як інноваційний та ефективний інструмент розвитку бізнесу: – Кваліфікаційна бакалаврська робота. Суми: Сумський державний університет, 2022.

Одним з важливих властивостей франчайзингу є ефективний і швидкий процес набуття практичних навичок ведення бізнесу. Франчайзинг дає великі шанси на успіх, і тим самим стає все більш популярним способом організації бізнесу в усьому світі. Тому кваліфікаційна робота присвячена дослідженню франчайзинга, його особливостей і тенденцій розвитку в різних країнах світу. Досліджені теоретичні аспекти франчайзингу у міжнародному бізнес–середовищі. Визначені переваги та недоліки франчайзингу. Проаналізовано сучасний стан франчайзингу в Україні, його проблеми та шляхи вирішення.

Ключові слова: франчайзинг, франчайзі, франчайзер, франчайзинговий бізнес.

Appendix B

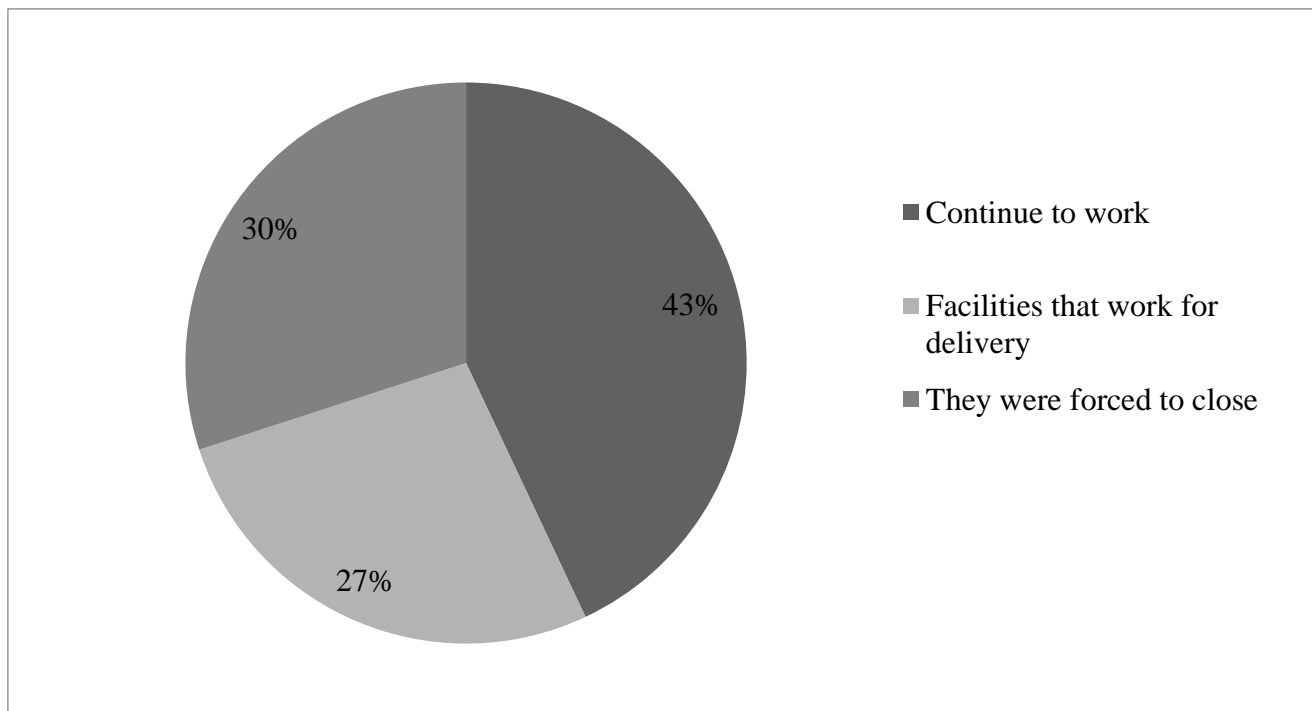


Fig. B1 – The state of food establishments in Ukraine in 2021 [27]

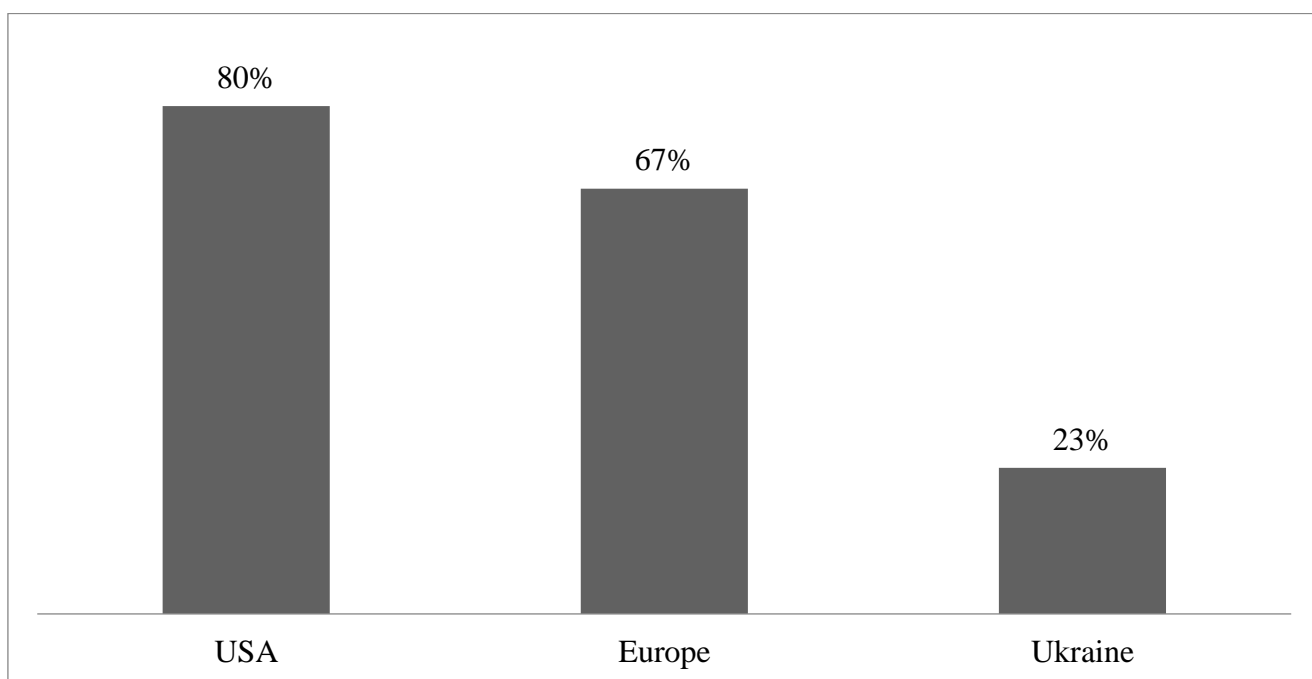


Fig. B.2 – The volume of franchised establishments in 2021 [29]

Appendix C

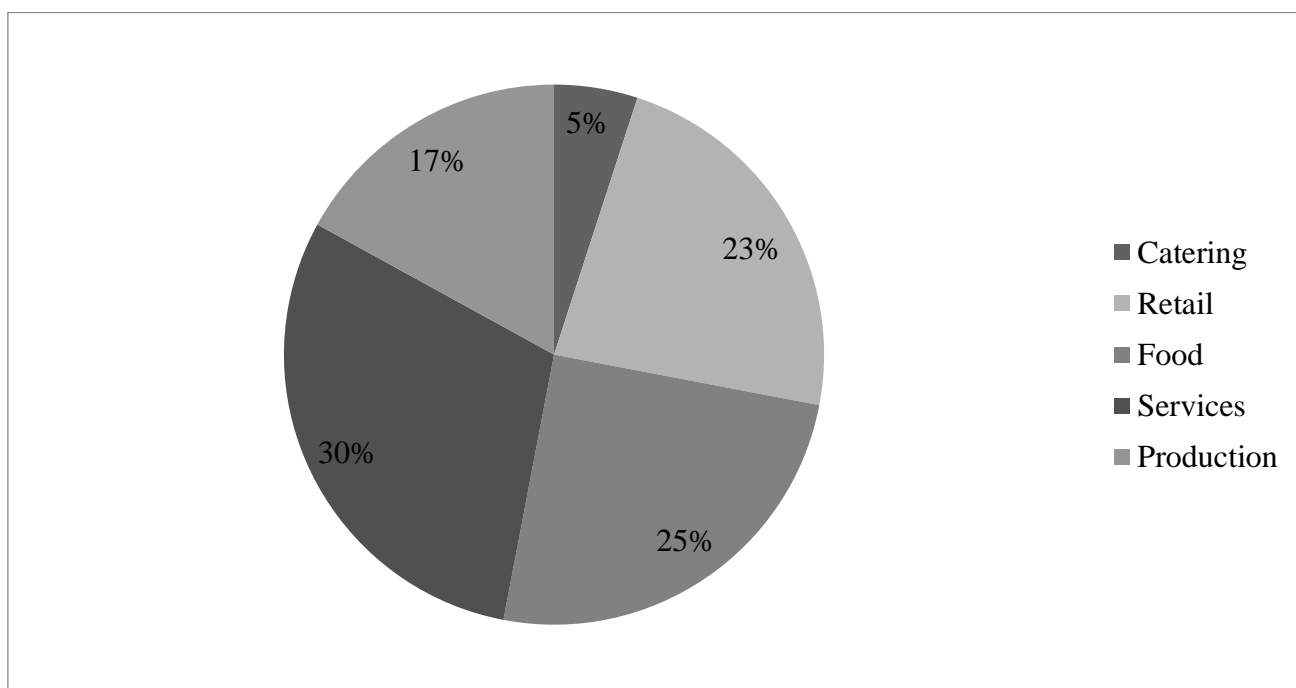


Fig. C.1 – Areas of interest of franchise buyers in Ukraine in the first half of 2022

[23]

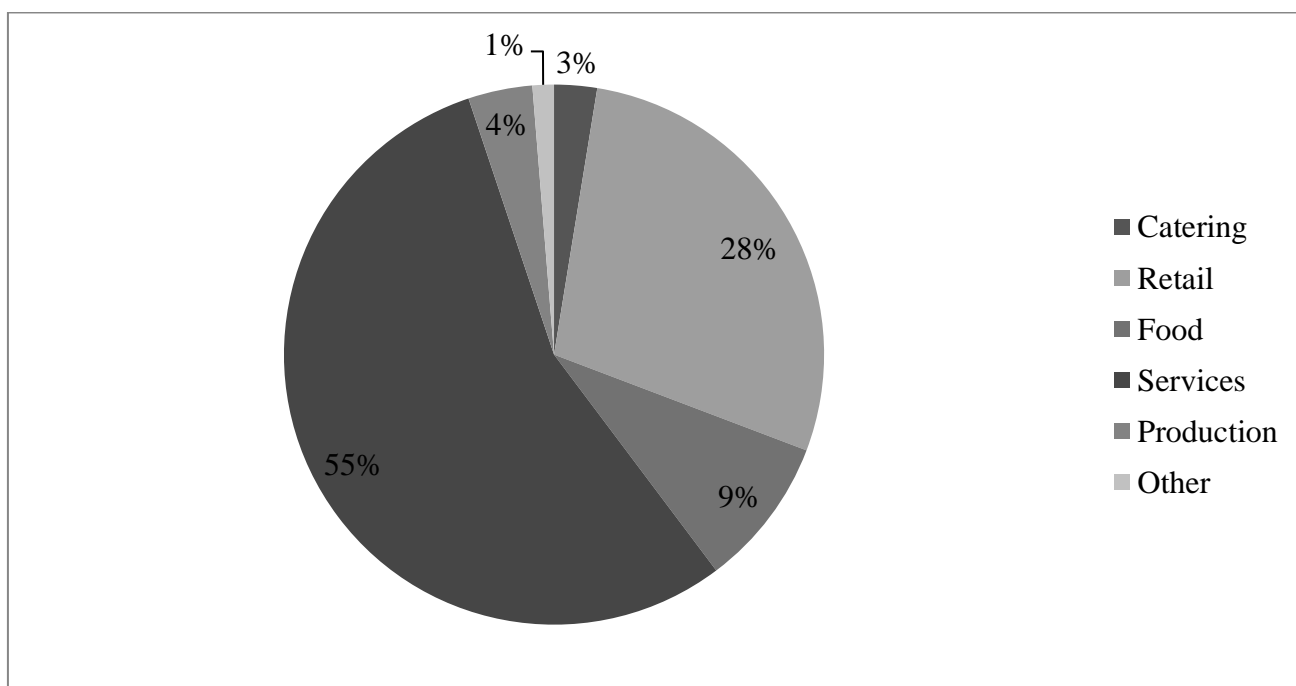


Fig. C.2 – The structure of franchising in Ukraine for 2021 [25]

Appendix D

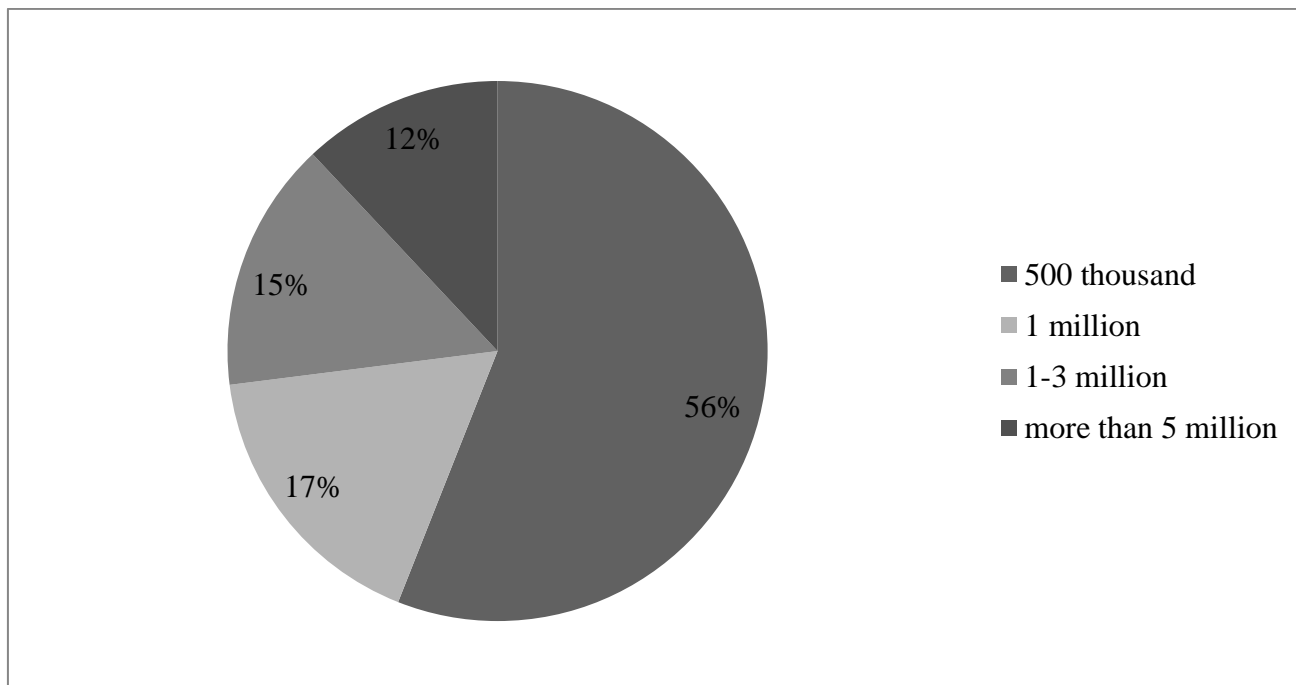


Fig. D.1 – Budget of franchise buyers in Ukraine for 2021 [23]

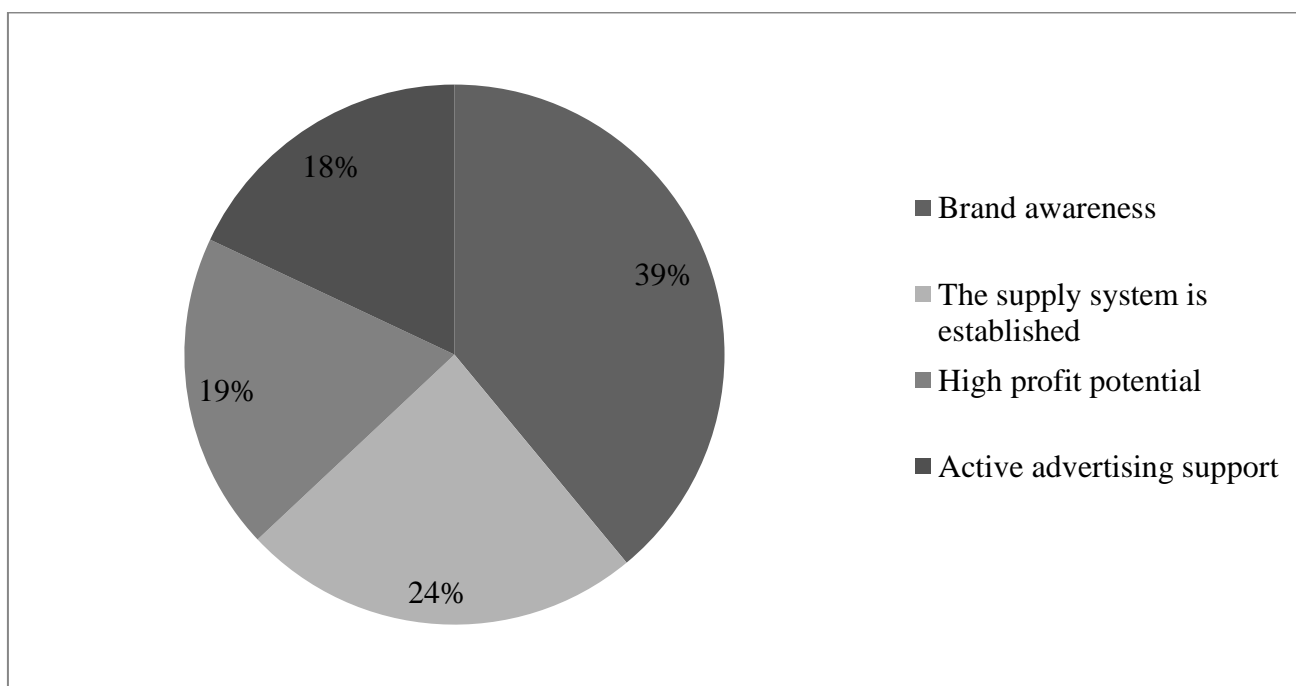


Fig. D.2 – Criteria for selecting Ukrainian franchisees for 2021 [23]