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BACHELOR' THESIS

on the topic:

**Management of catering establishment under franchising activity
(case study of the trademark "Crocodile")**

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Applied for a Bachelor's degree.

Bachelor's thesis contains the results of own research. The use of ideas, results and texts of other authors have references to the relevant source Daniela Chumakova

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ANNOTATION

The Bachelor's thesis examines the theoretical and methodological foundations of management of the catering establishment and the formation of the franchising plan of the restaurant.

By revealing the essence and development of the franchise system, pointing advantages and disadvantages of franchising, identification of problems and prospects of franchising in Ukraine, researching of “Crocodile” restaurant in Sumy, development of franchise plans for the restaurants under the “Crocodile” brand the thesis suggests recommendations about opening the restaurants under the trademark “Crocodile” on a franchise basis.

It contains theoretical principles of a franchise and a detailed plan that describes all the stages needed to start a new business under the trademark “Crocodile”, such as audit of demand for restaurant franchises, controlling standards, financial model and the description of the business processes.

STRUCTURAL ABSRACT

The structure and length of bachelor's thesis. The thesis consists of introduction, three chapters, conclusion, list of references. The total number of pages of bachelor's thesis is 48 pages.

The aim of the thesis is to develop a franchising plan for the restaurant under the trademark "Crocodile" .

Study object is study is the features of creating a franchise enterprise.

Subject of research is the activity based on franchising.

Research methods. The methodological basis of the study was a set of methods of scientific knowledge. Thus, the historical method allowed to analyze the development of franchising systems. In defining the concepts of "franchising", "franchisor", "franchisee" and others. The formal-logical method was used. The classification method was used when considering the types of franchising. Similarly, methods of analysis and synthesis, generalization and systematization, observation and comparison were widely used in the research process.

Key words: FRANCHISE, FRANCHISOR, FRANCHISEE, RESTAURANT.

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INTRODUCTION

Recent economic trends show that franchising is used as an effective form of business organization that creates risks for small and medium-sized businesses. Franchising relationships also contribute to the rapid development of modern production and service technologies. This increases the motivation of lower management. All this has been reflected in the last two decades, characterized by a particularly positive development of the global franchising system.

Franchising is not a very popular phenomenon in Ukraine. The success of this type of business is influenced by many factors, which can include effective management, pricing, impeccable service, service staff, modern technology and cuisine. With such fierce competition, it is quite difficult to build a successful restaurant business, so franchise networks have great potential. Depending on the current situation in Ukraine after the Russian invasion in 2022, franchising can become a lifeline for successful Ukrainian companies to enter or expand into world markets.

The subject of research is franchising. The object of study is the characteristics of the franchise company.

The aim of the study was to develop a franchise plan for restaurants under the “Crocodile” brand.

In accordance with the objectives, the following research tasks were solved:

- To reveal the essence and development of the franchise system.
- Find out the pros and cons of franchising.
- Identification of problems and prospects of franchising in Ukraine.
- Research of “Crocodile” restaurant in Sumy.

- Development of franchise plans for the restaurants under the “Crocodile” brand.

The methodology is based on a set of methods of scientific knowledge, which allows historical analysis to analyze the evolution of the franchising system for those appointed to understand, like a franchisor, a franchisee, just a victorious method of formal logic. Looking at the types of franchises, the classification method is distinguished. Also important is the role played by methods of analysis and synthesis, consolidation and systematization, caution and alignment.

The theoretical basis of the study are scientific provisions on the essence of franchising (M. Berdynets, Z. Varnaliy, J. Deltey, J. Murray, O. Sukovaty, etc.); on the advantages and disadvantages of the franchise system (O. Dannikov, V. Korsak, V. Rudashevsky, J. Sidorov, O. Ustyuzhanin, etc.), on the economic and legal conditions of franchising in Ukraine (G. Androschuk, I. Boychuk, E. Legeida, M. Roshkovan, I. Teryukhanova, etc.) and relevant legal documents.

Structure and volume of the work. The work consists of an introduction, three chapters, conclusions, and a list of sources used. The total volume is 46 pages.

CHAPTER 1. THEORETICAL PRINCIPLES OF STUDYING FRANCHISING AS A SYSTEM OF INNOVATIVE BUSINESS DEVELOPMENT

1.1 The essence and development of franchising systems

Franchising is a form of partnerships and business cooperation.

Franchising is a form of long-term business cooperation between several companies, in which a company with a well-known name on the market (franchisor) resells the rights to it along with the technology for the production or sale of goods to enterprises independent from it (franchisee).

The gist of this form is that the parent company, usually large, reputable, and well-known to consumers, enters into an agreement with a small, independent company that grants it the exclusive rights to produce certain goods, market them, and offer them under the company's brand. service.

A franchisor is a company that licenses or transfers the rights to use its brand, know-how and operating system.

A franchisee is a person or company that purchases training opportunities and business start-up assistance from a franchisor and pays a service fee for using the franchisor's trademark, know-how and operating system.

For small businesses this form is convenient, since the parent company has authority, the image has been developed, the consumer is already accustomed to the brand, and there is no need to spend money on advertising.

But the franchisor also undertakes to provide a range of services - the supply of equipment, raw materials, technology transfer, staff training, accounting services.

At the same time, the franchisee also receives the rights to use the trademark, service standards, corporate design and business reputation.

Franchise relationships can be profitable for both parties. The franchisee is interested in maximum sales at minimum cost. The franchisee must follow the franchise business rules and participate in advertising and marketing campaigns conducted by the franchisor. The franchisor is working hard to stay ahead of the competition, which would be very difficult for a single franchisee to do. The franchisor provides the necessary support so that the franchisee can devote full attention to their daily operations.

With this form, the organizing enterprise provides its partners, mainly small enterprises, with a license to independently conduct business activities, but under the brand of the enterprise organizer.

The history of franchising dates back to the 19th century, although some elements of the franchise system were observed in the Middle Ages. For example, in Great Britain, barons sometimes received privileges from the king to collect taxes in certain territories. In turn, the barons provided the king with certain services, for example, supply of young soldiers for the royal army. It was in Britain in the early nineteenth century that a system of connected houses developed, primarily used by brewers: in exchange for a loan or lease of property, the brewer received an inn, ie a certain system of marketing their products.

But the development of franchising is most associated with the United States. The first franchisors appeared in America a hundred years ago. Entrepreneurs offered veterans of World War II and the Vietnam War to keep their compensation for injuries by investing them in the case, and thus gain a stable income. At that time, franchising was seen as an employment option for those people who first entered the business. But as early as the 1950s, McDonald's and several other companies realized that they could grow ten times faster than other companies. Instead of spending millions of dollars on building and operating new stores, they allowed

independent companies to do it for them. And besides, these companies had to pay for such a privilege.

The basis for the emergence of franchising is the process of complication and improvement of forms and methods of distribution due to increasing competition, especially in the field of goods and services. Thus, in the United States, franchising is most prevalent as a specific method of selling goods in industries such as automobiles, soft drinks, pharmaceuticals, and later fast food restaurants.

Under the current conditions of world economic development, more than 80 developed countries have franchise relations. They are most popular in the United States, Canada, Western Europe, Japan, and the Caribbean and Pacific. For example, in the United States, franchising accounts for one-third of retail sales, especially among small and medium-sized businesses. Franchising is growing at 10-15% per year in Australia and Brazil. Today, business and economy in European countries are at a standstill, while franchising is growing at 10% per year [11].

The rapid development of franchising systems is of great interest to this phenomenon on the part of entrepreneurs, businessmen and economists. Thus, many foreign scholars (J. Deltey, J. Murray, D. Stanworth, etc.) and Ukrainian scientists (M. Berdynets, Z. Varnaliy, O. Sukhovaty, etc.) are engaged in the study of franchising theory.

J. Murray, an English franchise researcher, defines it as a certain format of a set of rights and responsibilities - a package that the franchisor sells to the franchisee [12].

According to D. Zeld, franchising is a contract under which a manufacturer or sole distributor of goods or services protected by a trademark grants exclusive rights to distribute its products in a certain area to independent retailers in exchange for receiving royalties from them and maintaining the technology of production operations [21].

According to Ukrainian scientist I. Dybach, franchising is a form of cooperation in which the franchisor transfers the rights to use its brand and know-how to the franchisee and involves the ongoing contribution of the necessary assets to the franchising company [6].

O. Novoseltsev claims that franchising involves the creation of an extensive network of homogeneous enterprises with a single brand (brand), the same conditions, style, method and form of selling goods and services, mainly: uniform quality requirements for goods and services; centralized formulation and Regulated Flat Price [13].

1.2 Advantages and disadvantages of running a restaurant business on a franchise basis

Advantages of running a restaurant business on a franchise basis:

Work under a brand already known to the consumer. The franchisee sells a product or service that is already in demand by the end user. There is no guarantee that your own restaurant will be successful and the business model created by the entrepreneur will really work. When working on a franchise basis, there is a guarantee not to go bankrupt immediately. Also, the new restaurant immediately gains the reputation of the company under which the franchise is developing.

Franchisor experience. The franchisor performs a complex algorithm of action when setting up a franchisee's business. At the same time, the franchisee also has the opportunity to use market research and other marketing activities conducted by the franchisor.

Preservation of independence. The franchise restaurant is legally and economically independent. This means that it is not affected by the negative or crisis consequences that may exist in other restaurants in the chain.

Additional protection. The franchisor promotes the opening of a restaurant, starting a business, and also supports franchisees at all stages of business. The help of the franchisor covers a wide range of issues - from technical maps to the development of design projects. The franchisor also periodically audits and monitors the activities of the franchisee.

The main advantages of the franchise agreement for the franchisor:

Fast and economical development of your own network. Development under the franchise system allows you to develop quite quickly, without attracting your

own investment and large resources. The franchisee is solely responsible for the investment.

Simplification of management work. The franchisor is not responsible for the day-to-day management of individual units of the franchise and should not accept calls from any staff member who decides to report an illness or complain to a colleague. The development of the franchise restaurant business greatly simplifies the life of the franchisor - he does not need to think about such friendly issues as the placement of furniture or equipment in each institution; issues such as construction, staffing and other operating activities are the responsibility of the franchisee.

Facilitated the process of entering new markets. Franchising minimizes the risks for the franchisor when entering new markets, because the partner in the local market is much better understanding of market conditions, better acquainted with the specifics of the target market.

Recognition of the trademark. The simplified process of entering new markets gives birth to a more well-known brand and strengthens its market position. It also helps to directly expand the franchise and attract new franchisees.

Additional income. By paying the franchise, the franchisee makes a down payment, then he constantly pays the franchisor a royalty, part of which is used to help the franchisee in development, and part can be spent on further business expansion. Additional income can also be used to provide franchisees with equipment or materials.

In addition, there are benefits of franchising for consumers and society as a whole:

- Promoting the emergence of new competitors in the markets and increasing competition among trademarks, supporting the diversity of choice and receipt of goods and services that meet the current level;

- Inflows of foreign investments that ensure the effective introduction of the latest technologies and job creation;

- Replenishment of the state budget through the receipt of funds from taxation and the implementation of a favorable impact on the development of the same and related industries;

- Reduction of government expenditures related to the bankruptcy of enterprises, as they are much lower [20].

The main disadvantages of franchising for the franchisor include:

- the possibility of error in selecting potential franchisees and their points

placing;

- the cost of preparing a package of materials for the transition to franchising can;

- significantly exceed the estimated costs;

Possible difficulties in recovering from the franchisee the amount stipulated in the contract;

- if the franchisee is defeated, it can negatively affect the reputation

the whole system, even if there is no fault of the franchisor in this.

In addition, there are disadvantages of franchising for franchise firms:

- Partial loss of liberty. The franchisee must carefully follow the rules and instructions set by the franchisor, perform all business transactions in accordance with his orders;

- Standardization of activities. To ensure the image of his company, the franchisor requires the franchisee to strictly adhere to operating standards.

Otherwise, the franchisee risks losing the right to use the franchisor's trademark or trademark. Compliance with standards is usually ensured by periodic inspections of the franchisor. Over time, strict adherence to instructions, rules and regulations by the franchisor can become burdensome for the franchisee;

- Franchise payments. The franchisee must pay the franchisor for reducing the risk of activity, for gaining benefits. The size of these payments significantly affects the profitability of the franchisee's business [18].

- Despite these shortcomings of the franchise relationship, the determining factor in franchising is the presence of its significant advantages.

- Summarizing the above, it can be argued that the successful implementation and development of the franchise system requires careful analysis and awareness of the advantages and disadvantages for both the franchisor and the franchisee.

1.3. Problems and prospects of franchising in Ukraine

In the current challenging conditions of the crisis and the war in Ukraine, when the number of unemployed increases, including due to internally displaced people from occupied regions, continuous decline in production, reduced investment activity increases social tension, slows down the development of small and medium-sized businesses

In these conditions, it is essential to establish close cooperation between small, medium, and large enterprises to solve common operational problems.

This form of financial support from large enterprises is the franchise system. In my opinion, it is the form of business organization developed by the world practice, which, combined with other market structures, could stimulate the development of small and medium businesses in Ukraine.

The works of many Ukrainian scientists (G. Androschuk, O. Dannikov, O. Sukovaty, and others) are devoted to various aspects of this topic.

Franchising began in Ukraine in 1997 when McDonald's opened its first restaurant in Kyiv. Before that, the local food industry was represented by Soviet-style canteens and cafeterias. Since 2000, there has been a real boom in this area against the background of strong economic growth and increasing personal incomes.

The development of franchising in Ukraine is hampered not only by the lack of information about it and advertising of this method of implementing new technologies but also, according to G. Androschuk, by an imperfect legal framework [2].

Analysis of the works of M. Berdynets, O. Hrushko, J. Sidorov, O. Sukovaty, O. Tregubov allows us to identify problems that hinder the development of franchise networks in Ukraine. These are such as:

- Economic: instability of economic development, lack of potential

franchisees need the start-up capital to enter the franchise system, the difficulty of obtaining loans to create start-up capital;

- Organizational and legal: the imperfection of the legal support of franchising in Ukraine;

- Socio-psychological: lack of experience of domestic actors franchising system, so fears of business failure, lack of due respect for intellectual property;

- the risk of losing the independence and the face of the entrepreneur and manager;

- lack of training and consulting centers for franchising. [7; 15; 18].

Comprehensive solutions to economic, organizational and legal, social, psychological and educational, and counseling problems, in our opinion, will allow development franchising in Ukraine freely.

To this end, the Association of Franchise Employers began its activities in Ukraine on December 29, 2001. The task of this organization is to represent the interests of entrepreneurs and their operators who use franchise agreements in government agencies and provide them with practical assistance in organizing and promoting the market. Along with active activities in the national field, the Association establishes relations with international and foreign associations and studies the experience of other countries in franchising and its regulations.

Thus, referring to the above, it can be noted that franchising has been developing in Ukraine since the early 90s of the twentieth century in its specific way. In the first stage came foreign franchisors; in the second, there were national franchisors; in the third - national franchisors captured up to 80% of the franchise business.

The unresolved part of this issue is still the lack of draft amendments to Ukrainian legislation. It is expedient to substantiate the legal side of the design of franchise agreements and networks based on the development of an updated legal framework that can provide certainty on the legal side. As a result, the actions of the parties to the agreement will be aimed at developing their own business, and hence at the development of the country's market and ensuring compliance with globalization.

Therefore, since franchising is a significant part of the national and global markets and therefore attractive for investment, it is necessary to develop a comprehensive management system that can operate at the state and regional levels and meet specific requirements of modern economic development.

CHAPTER 2. DEVELOPMENT OF THE FRANCHISE PLAN FOR THE RESTAURANT UNDER TM “CROCODILE”

2.1 Audit of demand for restaurant franchises under TM “Crocodile”

2.1.1 About the company

European cuisine restaurant “Crocodile” began its work in 2018 on the site of the former Bruderschaft restaurant (which opened in 2012). It positions itself as a family restaurant because, in the assortment and the price segment, everyone can find what they like for themselves. The menu includes both traditional Ukrainian borsch and pate, as well as salads, sausages from various types of meat, mussels, and the hallmark - mincemeat in the shape of an apple. Also, in the bar list, there is a large selection of alcohol, particularly wines.

Address: Sumy, st. Gagarina, 16

Opening hours: 11:00 - 22:00

Average check: 150 UAH. - 200 UAH

Social networks: Facebook, Instagram

Feature: fitness menu, which is available from 11:00 to 16:00

Delivery of five meals a day, which makes it possible to 100% optimize the cost of the kitchen and the work of staff

Services: restaurant visit, delivery of a daily food ration with given calorie content, takeaway food, booking, banquet.

Interior:

Graphics and geometric techniques in interior elements:

- three-dimensional installation in the form of a “Crocodile” at the entrance;
- wall panels with lamps "eyes of a “Crocodile” ”;
- glass chandeliers - bubbles, metal pendants resembling leaves.

Art paintings on the walls and bar: the combination of an ironic plot in the style of "English humor" with a solid monochrome technique, stylistically close to the scratchboard technique.

The mission of the company: is to satisfy the healthy appetite for delicious food of every client of the restaurant under the TM “Crocodile” .

Green GO is designed to free the client's exciting life. Healthy food delivery with individual calorie calculation for each client.

Company goal:

External:

- increase in the number of orders
- regular marketing activities aimed at retaining existing and attracting new customers (new offers and discounts)

Increasing the status of the company

- advertising campaigns to convey to the general public information about the restaurant's offers, its benefits, benefits, and atmosphere

Increasing brand awareness

- plans to expand the network and open new restaurants (for example, 6 new franchise outlets per year)

- entering international markets
- promotion of the brand and franchise in the markets of the CIS countries and Europe, the conclusion of agreements with foreign partners

Internal:

- the creation of a new effective marketing strategy in own and franchise outlets
- plans for promotional activities, their systematic implementation, evaluation of the effectiveness of the implementation, and planning for future periods
- increasing the efficiency of staff work in own and franchised outlets: team building activities and training; thoughtful motivational program
- implementation of work standards and their observance in own and franchised outlets
- effective use of online and offline tools for network operation in standards and control of their compliance

Potential visitors to the company:

1. Young people (teenagers, students, schoolchildren).
2. Family couples of different ages.
3. Business audience (people who have their own business, managers, etc.).
4. Women and men care about themselves and their health and appearance.
5. People who frequently eat out/order food to take home.
6. Lovers of quality time.

Benefits for visitors:

1. Wholesome, healthy food at affordable prices.

2. The ability to maintain good physical shape by calculating the optimal number of calories in meals.
3. A varied menu that the Brand Chef updates once a quarter.
4. Large selection of items on the menu and bar menu.
5. Luxurious restaurant interior.
6. Food delivery.

2.1.2 General assessment of the company

Experience: The year the company started operating was 2018.

Since 2012, the company's owner has managed the Bruderschaft restaurant, which ceased to exist last year. In its place, the owner opened the “Crocodile” restaurant. The experience of running the restaurant business for more than 7 years indicates that the Franchisee is the most experienced restaurateur.

Conclusion. Today, more than 5 years of business experience is considered a good prerequisite for starting work on the franchising system. The owner of the company has 7 years of business experience. This indicates the successful overcoming of many "growing pains". It is this business model that can be safely called tested.

“Crocodile” has little experience in the market, but it can be rightly said that it has every chance for successful development in the franchising system.

- Network

Number of own objects (total) — 1

Number of own properties opened in the last 12 months - 0

Number of closed own facilities in the last 12 months - 0

Conclusion. The number of own open points, taking into account the period and specifics of the company's work, can be assessed as high. In general, the company is developing and showing positive prerequisites for creating a franchise network

- Economy

Franchise format 150 - 200 sq.m.

Entrance fee - 200000 UAH

Monthly royalty rate - 15000 UAH

Investments (without entry fee) - from 2,039,000 UAH

Return on investment - from 21 months

Average monthly net profit for the 1st year of work - from 64,000 UAH/month

The company can offer the Franchisee fair and favorable terms of cooperation, as well as high profits. Real terms of collaboration guarantee trust on the part of potential partners.

- Team

The number of full-time employees for the 1st object is from 16 to 24. This number of staff is exemplary for the effective management of the restaurant and the provision of quality customer service.

- Marketing strategy

The marketing strategy of the company is aimed at attracting and retaining restaurant customers.

TM "Crocodile" positions itself as a place where everyone can satisfy their "bestial" hunger with healthy and tasty food.

The company offers an additional service - delivery of the Green GO fitness menu with calorie calculation individually for each client.

Regular volunteer events from the Franchiser's charitable foundation significantly increase customer loyalty to TM.

Online activities on social networks and related platforms allow customers to rate the restaurant and recommend it to friends.

In total, regular seasonal updates of the restaurant menu, reasonable promotional offers, and BTL events fully aim to achieve the company's marketing strategy.

The company carries out practical marketing activities that should be of interest not only to visitors but also to the Franchisee. Moreover, marketing activity suggests that the company fully understands the essence of its business and uses the maximum number of tools to attract and retain restaurant visitors, which will be an indisputable advantage for the Franchisee.

-Trademark

TM is on registration. The main advantages of registering a trademark in the context of franchising: it gives the right to create and sell a franchise; it allows you to protect your business from unscrupulous competitors; it excludes the possibility of using a trademark by competing enterprises; increases the cost of goods or services.

When scaling a business, a situation may arise when a Franchiser with an unregistered TM may be accused of violating trademark rights.

In this case, cases of threats of litigation and demands to immediately change the trademark, which is already in order among actual and potential consumers of the Franchiser and its network, are not uncommon. If such a situation happens, then the

business owner not only fails his Franchisee but also risks losing the market position and a stable level of profit.

An unregistered trademark can also be used by a competitive company, which significantly reduces the turnover and profit level of the Franchiser's company.

Conclusion. A registered trademark is an essential factor in the successful and safe development of a franchise business. Trademark registration will protect the franchise network from illegal use of the trademark by negligent partners and competitors.

- SWOT-analysis

SWOT-analysis involves an assessment of the strengths and weaknesses of the “Crocodile” company, as well as the identification of opportunities and threats for the company's further development that come from the external and internal environment.

Strengths:

1. A kitchen of healthy and wholesome food - a fitness menu.
2. Affordable prices.
3. The number of calories in dishes is calculated (the ability to maintain good physical shape).
4. Large selection of food and drinks.
5. Luxurious restaurant interior.
6. Food delivery.
7. Recruitment with the help of a role-playing game on a competitive basis, which helps beat out a worthy candidate for a position.

8. Personnel training according to our own developed methodology (a certificate is awarded upon passing).

9. The company's owner has more than 7 years of experience in the restaurant business.

10. Development according to the franchising system.

11. Volunteer activities with gifts for children

Weaknesses

1. Lack of a summer playground.

2. There may be conflicts in working with visitors.

3. Lack of TM registration

4. Search for a competent administrator and staff.

5. No company website

6. The presence of competitors.

7. Lack of franchise experience.

Opportunities:

1. Having your own charitable foundation.

2. Carrying out charity events (selling pens) has a positive effect on the image of the restaurant

3. Expansion of the territory of influence by building a franchise network.

4. Obtaining a significant market share in the territory of Ukraine will provide an opportunity to become a network of healthy food/delivery restaurants No. 1.

5. Increasing company profits.
6. Growing demand for healthy food/delivery.

Threats:

1. Increasing demand for healthy food/delivery threatens to increase the number of competitors in this segment.
2. Student employees create employee turnover.
3. Attracting regular visitors is a long and laborious process.
4. Political instability.
5. Low awareness of the population about the franchising system.
6. Possible difficulties in finding partners.

When analyzing the opportunities and threats of the external environment, as well as assessing the strengths and weaknesses of the work of the “Crocodile” company, it is necessary to compare external and internal factors to determine possible options and ways for the further development of the company.

There are several options for using the strengths of the company and the opportunities of the external environment:

1. "Strength and opportunities" - involves the use of the strengths of the company to realize development opportunities;
2. "Power and threats" - using the strengths of “CROCODILE” to eliminate threats from the influence of the external environment;
3. "Weakness and Opportunities" - using the opportunities of the external environment to eliminate the weaknesses of the company's work;

4. "Weakness and threats" - a description of the undesirable result of the company's development by determining the influence of threats from the external environment on the weaknesses of the company's work.

"Strength and Opportunity":

1. Extensive experience in running and managing the restaurant business allows us to say that there is a high probability of an increase in the number of potential partners of the company.

2. Cooking healthy and wholesome food in a restaurant and the ability to order it with delivery is an absolute advantage of the company.

3. Created its own selection system (developing role-playing games on a competitive basis), training, and certification of personnel, which guarantees the successful and easy development of the franchise network from the side of the central office.

4. Developing a franchise system will allow the company to capture a significant market share and attract new visitors, strengthen its advantage over competitors, and receive additional profit through entrance fees and royalties from partners.

"Power and Threats":

1. Competition is growing in the market, and more and more new restaurants are appearing. The development of competitive restaurants may have a negative impact on the number of visitors to a restaurant under the TM "Crocodile" if competitors offer more favorable conditions to visitors.

2. As a result of an increase in the level of inflation, a restaurant under the TM "Crocodile" will be forced to increase prices for services. Such actions can negatively affect the number of visitors.

However, the vast experience of the owner of the restaurant under the “Crocodile” TM and the high qualifications of the employees will most likely help retain the target audience, regardless of the threats of the external environment.

"Weakness and Opportunity":

1. Having your own charitable foundation will allow you to carry out activities that will positively affect the company's image and attract many visitors.

2. Suitable staff is the opportunity for the rapid development of the restaurant chain. And at the same time, poorly selected specialists are a weakness and can lead to a drop in the reputation of a restaurant chain.

Having chosen the path of development through the franchising system, a company under TM “Crocodile” can take a significant share in the Ukrainian market, create an extensive network, and even, in the future, enter the international level, thereby expanding the geography of its activities.

"Weakness and Threats":

1. Increased demand for healthy food can lead to the opening of new, related restaurants, which in turn is a significant threat to the company's development.

2. Working with students is a serious threat because it often leads to staff turnover, where the constant process is not the provision of restaurant services but the search, selection, and certification of personnel.

So, it can be noted that the most preferred strategy for “Crocodile” at this stage of development is the strategy of capturing the Ukrainian market. This is because the company has many advantages, thanks to which it is a strong player.

After identifying development threats, it was revealed that:

- The appearance of a large number of competitors and the switching of visitors and potential partners to their offer can harm the work of “Crocodile” .

- The destruction of the company or its exit from this area of activity can be caused by poor quality personnel work, restrictive policies of state bodies, for example, increased taxes, tightened price regulation, and forced sale of goods at reduced prices.

- The strategy should be aimed at maximizing the capabilities of these services and the most outstanding possible protection against threats.

We advise you to consider, as a priority, a strategy for capturing and subsequent horizontal expansion of the sales market. Initially, it was assumed that competition is high in this market segment, which is why the development of the franchising system is the only right decision since it will allow the company to develop regardless of competition.

As a result of the SWOT analysis, it turned out that in the future, competition in this market segment may intensify,, the company's development strategy should be partially revised towards strengthening and developing the network, including the franchising system.

For the development of a company under TM “CROCODILE” , the best would be a combined strategy aimed at determining its competitive advantages and providing for deeper penetration, as a result - geographical capture of the market, followed by vertical integration upwards. This can be formulated as follows:

- improve work in those zones of influence in which there is already experience;
- conduct an active advertising campaign (in particular, online);
- to enter new markets through the development of the franchising system.

Thus, after conducting a SWOT analysis of the company's activities under the TM “Crocodile” , shortcomings in the company's development strategy were identified, which could lead to the failure of the project. The SWOT analysis matrix

helped to assess the strengths and weaknesses of the company, analyze the opportunities and threats of the external environment, and as a result create a new strategy for the company.

The proposed strategy is attractive for a company under the TM “Crocodile” , because the following conditions are met:

- “Crocodile” has enough skills and resources to work successfully;
- “Crocodile” can protect itself from competitors in the future, thanks to the loyalty of visitors and potential partners;
- “Crocodile” strengthens its position in the market through franchise development.

So, in summary, remember that an untapped opportunity can become a threat if it is exploited by a competitor. For a company under TM “Crocodile” , it is strategically important to enter the market and strengthen its position in it.

- Analysis of market:

Restaurant business news to date describes a positive growth trend in the world, even despite the consequences of the coronavirus pandemic. The pace of development of the catering industry predicts an active increase in the number of establishments, the emergence of new formats, trends in stylistic design and menu selection. But this sphere still remains quite risky for aspiring entrepreneurs.

The stability of the country's currency is a very important factor that influences the opening of the new restaurants. The strengthening of the national currency in the stock market makes capital investments in the restaurant business less risky. This reduces the risk of failure and increases the chances of success for new players.

And also there is a tendency for weak companies to close after the pandemic. This is not always a bad factor, new businesses might benefit in this sphere because of the reducing the number of competitors.

These factors contribute to the development of establishments of different categories. The most popular establishments in Ukraine are the following types of establishments: Restaurants, Bars, Cafes, Pizzerias, Hookahs.

The most popular types in Ukraine remain: "Restaurants" and "Cafe".

If you carefully study the news of the restaurant business, you can note a sharp increase in competition among the owners of coffee shops, restaurants of Asian cuisine. Therefore, opening your own new point in this direction can be called unprofitable.

Analysis of the restaurant business market shows an increase in the relevance of establishments related to local products like cheeses, wine, meat products, and sweet goods. Wanting to master this niche of the restaurant industry, an unexperienced restaurateur will have to fight by his own efforts.

In Ukraine, the delivery of restaurant food has become a special trend, especially during quarantine. Accordingly, restaurants that quickly adapted to the new rules of the game made good profits. A lot of attention is focused on drawing up a loyalty program for visitors, improving the quality of service and maintaining a high level of reputation. For this, special attention is paid to marketing support of the business, its positioning in social networks, increasing brand awareness, etc.

In 2022 after the Russian invasion the situation has completely changed for the number of regions, that are located first of all in the Eastern Ukraine, but franchising is still of current interest in the Western and the Central Ukraine, also in terms of expanding throughout the world.

2.2 Controlling standards

In order to ensure the efficient operation both the Franchiser and the Franchisee systematically monitor their work.

This section describes the procedure for carrying out and division of areas of responsibility for carrying out control measures between the Franchiser and the Franchisee.

Key areas of control of the Franchisee and the Franchiser

I. Appearance standards for employees

In order to analyze the compliance of the appearance of employees with the standards of TM “Crocodile” , the Franchiser has the right to initiate control measures using both standard / on-site inspections and “Mystery Visitor” monitoring. At the same time, the inspector evaluates the employee’s appearance by visual observation.

The most common violations:

- lack of uniforms and (or) elements of branded clothing, properly fixed badge on the personnel;

- untidy or damaged clothing.

You should also pay attention to the conformity of clothing, hairstyles, the absence of defiant jewelry, makeup.

II. Visitor Service Quality Standards

In order to control the competencies of personnel, identify problem areas and areas in which it is necessary to work on improving qualifications, an assessment is made of the work of the Franchisee's employees under the TM “Crocodile” .

In the process of monitoring, the inspector assesses how the quality of customer service meets the standards of TM “Crocodile” .

In case of non-compliance with the standards of customer service of the franchise point under the TM “Crocodile” , all violations are recorded and sent to

the Franchiser. Further, measures are taken to eliminate all inconsistencies and / or apply penalties to the guilty employees.

Possible violations:

- ignoring visitors;
- non-compliance with maintenance scripts;
- negative reaction to conflict situations – FT personnel did not listen to the complaint, did not accept the objection, and began to be rude;
- provision of incomplete or erroneous information during product consultations.

III. Process standards

To control this zone, both a standard / on-site check and “Mystery Visitor” monitoring are used.

During the audit, the following is monitored:

- flows of technological processes: exclusion of counter flows of raw materials, semi-finished products and finished products, as well as used and clean kitchen utensils / tableware;
- the presence of all the positions declared in the menu. Unauthorized replacement / deletion / addition of menu items is not allowed;
- Compliance with the range of raw materials used. It is not allowed to change suppliers and/or ingredients and raw materials without agreement;
- compliance with the conditions of the technological process of product preparation;
- availability and condition of the equipment;
- sanitary and hygienic parameters of production;

Possible violations:

- non-compliance with the conditions of the technological process of product preparation;
- the presence of damaged or non-working equipment;
- lack of a daily supply of the necessary ingredients and raw materials to ensure the preparation of all menu items.

Control by the Franchiser is carried out in the form of:

- Indirectly (Remotely):
- Online control;
- Scheduled and unscheduled at the location of the Franchising point:
- Field check;
- Mystery visitor.

CHAPTER 3. ORGANIZATION OF ACTIVITIES OF THE RESTAURANT FRANCHISES UNDER TM “CROCODILE”

3.1 Stages of starting

I. Negotiations

1. Receipt and consideration of the application
2. Making a decision on cooperation and signing an NDA agreement
3. Choice of location. Conclusion of the Lease Agreement (in the absence of premises at the time of submission of the Application).
4. Signing of the “Commercial Concession Agreement” and transfer of standards

II. Implementation

5. Adaptation of the design project to the configuration of the room. Selection of contractors for the implementation of landscaping, construction and repair, manufacturing and / or installation of furniture and equipment.
6. Improvement of the adjacent territory
7. Repair and construction works, installation of equipment and equipping
8. Search and selection of suppliers of semi-finished products, products and goods
9. Search, selection and training of personnel
10. Preparing to open
11. Grand opening

3.2 Financial model

This is a financial model for 150-200 sq.m. restaurant under the TM “Crocodile”.

Financial parameters are:

- average bill - 200 UAH
- average amount of the bills per month - 2600 pcs.
- average amount of the bills per day for the first year of work - 76 pcs.
- average revenue per day for the first year of work - 15167 UAH
- average monthly revenue for the first year of work - 455000 UAH
- average monthly gross margin for the first year of work - 318500 UAH

Investments needed before the opening:

1. Premises renovation - 340000 UAH
2. Furniture - 524000 UAH
3. Equipment - 1024000 UAH
4. CCTV - 16000 UAH
5. Alarm (security and fire) - 5000 UAH
6. Initial purchase of goods - 100000 UAH
7. Rent (deposit for the 1st and last months) - 20000 UAH
8. Advertising campaign before opening - 10000 UAH
9. Lump sum - 200000 UAH
10. Total - 2239000 UAH

Staff:

Manager - 1 person, fixed salary per shift - 700 UAH, shifts per month - 20, fixed monthly salary - 14000 UAH

Sous chef -1 person, fixed salary per shift - 650 UAH, shifts per month - 20,
Fixed monthly salary - 13000 UAH

Hot shop chef - 2 people, fixed salary per shift - 500 UAH, shifts per month - 20,
fixed monthly salary - 10000 UAH

Cold shop chef - 2 people, fixed salary per shift - 450 UAH, shifts per month -
15, fixed monthly salary - 6750 UAH

Cook - 2 people, fixed salary per shift - 450 UAH, shifts per month - 15, fixed
monthly salary - 6750 UAH

Dishwasher - 1 person, fixed salary per shift - 300 UAH, shifts per month - 20,
fixed monthly salary - 6000 UAH

Administrator - 2 people, fixed salary per shift - 450 UAH, shifts per month - 15,
fixed monthly salary - 6750 UAH

Waiter - 6 people, fixed salary per shift - 200 UAH, shifts per month - 15, fixed
monthly salary - 3000 UAH

Cleaning employee - 1 person, fixed salary per shift - 300 UAH, shifts per month
- 20, fixed monthly salary - 6000 UAH

Senior bartender - 1 person, fixed salary per shift - 500 UAH, shifts per month -
20, fixed monthly salary - 10000 UAH

Bartender - 1 person, fixed salary per shift - 400 UAH, shifts per month - 20,
fixed monthly salary - 8000 UAH

Current expenses:

1. Cost price - 136500 UAH per month
2. Staff salary - 135500 UAH per month
3. Royalty - 15000 UAH per month
4. Rent - 20000 UAH per month
5. Communal payments - 20000 UAH per month
6. Household needs - 15000 UAH per month
7. Fare - 5000 UAH per month
8. Security - 500 UAH per month
9. Communication and internet services - UAH per month

10. Accounting - 6000 UAH per month

11. Local advertising (booklets, printed materials and etc.) - 1500 UAH per month

12. Banking services - 182 UAH per month

13. Payroll taxes - 30000 UAH per month

Total - 390682 UAH per month

Current expenses in share in the volume of revenue for the first year of operation:

1. Cost price - 30%

2. Staff salary - 29,8%

3. Royalty - 3,3%

4. Rent - 4,4%

5. Communal payments - 5,5%

6. Household needs - 3,3%

7. Fare - 0,1%

8. Security - 0,1%

9. Communication and internet services - 0,1%

10. Accounting - 1,3%

11. Local advertising (booklets, printed materials and etc.) - 0,3%

12. Payroll taxes - 6,6%

Total - 85,9%

Average monthly net profit for the 1st year of operation - 64318 UAH, profitability (net profit/revenue) - 14%

Average monthly net profit for the 2nd year of operation - 180134 UAH, profitability (net profit/revenue) - 29%

Average monthly net profit for the 3rd year of work - 252892 UAH, profitability (net profit/revenue) - 35%

Achieving self-sufficiency from the month of commencement of work - 3 months

Return on investment from the month of commencement of work - 21 months

3.3 Business processes

3.3.1. Assortment and price policy

Assortment and pricing policies are formed and regulated centrally by the Franchiser. I will introduce the specifics of the restaurant business, the assortment and prices for the chain of restaurants under TM “CROCODILE” are adjusted every quarter. Changes may be minor or significant, but they do not affect the overall concept of TM, positioning and assortment groups of the restaurant chain.

In this case, the assortment and prices depend on the following factors:

- the region;
- locations;
- the level of purchase prices for raw materials and products in the city of placement.

In case of changes in the assortment list, the Franchisee is responsible for updating the menu, catalogs, promotional materials, price lists, information on the franchise outlet's page in the social. networks (if any).

Price formation

To form prices, the Franchiser and the Franchisee analyze the market and competitors, taking into account the cost of goods, drinks, as well as the cost of maintaining the establishment, salaries to employees, advertising and marketing activities, etc.

3.3.2 Standards for the organization of supply (purchase) and reception of products

The franchisee purchases products, raw materials and goods independently, both wholesale and retail. Wholesale purchase is carried out taking into account the factors of delivery, storage and internal logistics.

Conditions and terms of storage of products

The products necessary for the preparation of dishes intended for sale at a franchise point under TM “Crocodile” are grouped according to the homogeneity of storage modes. At the same time, it is necessary to take into account its physico-chemical and biological properties, the rules of the commodity neighborhood and sanitary and hygienic requirements.

The number of accepted chilled and frozen products must correspond to the volume of operating refrigeration / freezing equipment.

Inventory and stock control

Planned inventory of products is carried out:

- product group - 2 times a month by weighing and recalculating balances;
- non-product group (consumables, utensils, inventory and equipment) - once a month by recalculating balances.

The control of balances is carried out by employees daily at the closing of the shift.

During the planned inventory, the actual availability of products of all product groups is checked according to the balance report in the accounting system.

Write-off of products

Products that have become unusable, as well as products with an overdue sale period, are subject to write-off.

3.3.3 Visitor service quality standards

The main goal in the work of the staff is to form the loyalty of visitors to TM “CROCODILE” . The task of the employees is to make a good impression on the guests of the institution, providing high quality service.

Employees must always behave in a courteous and friendly manner in dealing with visitors, show competence and maintain a positive attitude at all times. These rules are binding on all employees.

The Importance of Compliance with Standards

Serving all visitors in accordance with standards provides the following benefits:

1. The image of the network, which offers quality and delicious food, provides professional service. This image attracts visitors who are sensitive to the service.

2. Increase in visitor loyalty:

- increase in the number of regular visitors;
- increase the likelihood of a return visit;
- increase in the number of positive verbal recommendations.

3. Increase in the average check.

4. Reducing the number of complaints caused by incorrect service.

3.4 Human resource management

The work schedule of each employee is determined in accordance with the internal work schedule rules established in the organization, and is reflected in the employee's job description. An employee have to come at the workplace at least 30 minutes before the start of the work shift. The number of full-time employees is from 16 to 24 people.

Positions - Administrator, Chef, Sous-chef, Senior bartender, Shift supervisor are directly subordinate to the Manager.

Positions - Waiter, Cleaning employee are directly subordinate to the Administrator.

Positions - Hot Shop Chef, Cold Shop Chef, Cook, Dishwasher are directly subordinate to the Sous Chef.

Position - Bartender is directly subordinate to the Senior Bartender.

Implementation of accounting functions is carried out with the help of outsourcing companies.

Security of the restaurant (security system, panic button) is carried out with the help of outsourcing companies.

Implementation of the functions of delivering orders to clients is carried out with the help of outsourcing companies.

To improve the efficiency of each employee of the restaurant, his focus on results, a motivational program has been developed and operates. Restaurant staff motivation consists of material and non-material components.

Material incentives consist of wages and social guarantees.

1. Wage payment

Formation of wages for employees is based on the principles of the market system of labor motivation.

The wage fund is formed based on the results of its financial, economic and commercial activities, and consists of the following parts:

- The main (permanent) part.
- Premium (variable) part.

The salary is set for restaurant employees in the form of a fixed part of the salary. It is given twice a month in accordance with the duties performed calculated in proportion to the hours worked. A fixed base salary is established for all posts.

Bonus is a variable incentive payment, which is calculated based on the results of financial and economic activities for the corresponding month and is calculated depending on the performance of job duties of the employee for the month, as well as other additional incentive payments.

Labor remuneration is charged monthly, for every 15 calendar days, in accordance with the rates established in the company:

- for the management team (Manager) - this is a fixed salary +% of the restaurant's income;
- for the Administrator/Senior shift - fixed daily tariff rate +% (0.5% - the plan is not done, 1% - the plan is done, 1.25% - the plan is overfulfilled) from the turnover of the shift for two;
- for the Chef - this is the established hourly tariff rate +% of the kitchen work (at the discretion of the manager);
- for Waiters - fixed hourly tariff rate +% (plan <80% = 0.75%, plan from 80 to 99% = 1%, 100% = 1.5%, >110% = 2%, >150% = 4%) of the degree of fulfillment of the personal sales plan.
- for the Senior Bartender, Bartender - a fixed hourly tariff rate +% of the cash of the bar per work shift;
- for the Cleaning Employee, Dishwasher - established in accordance with the duties performed - the hourly tariff rate in proportion to the hours worked.

Non-material motivation of personnel is rewarding employees for high-quality work, which in doesn't affect their salaries and other payments. It is characterized

as a measure of psychological impact on staff, encouraging them to achieve their goals and maintain loyalty to the company.

The tools of the non-material motivation system for restaurant employees are:

1. A supportive work environment

1.1. Working conditions at the workplace - the creation of optimal and comfortable working conditions under which the health of employees is maintained, and the prerequisites are created to maintain a high level of their performance.

1.2. An atmosphere of mutual respect and trust.

2. Opportunity for self-realization, development and career growth.

2.1. Training and professional development programs;

2.2. The opportunity to participate in the company's projects, including in other regions, internships, gaining experience in a successful and modern company;

2.3. Opportunity for career growth.

3. Official recognition of merit

3.1. An increase in the fixed part of the salary based on the time worked in the company.

3.2. Change of employee status - promotion, rotation, other desired change of position or activity for the employee. The following employee incentives are possible:

- For Waiter, Bartender – the promotion to the position of Administrator or Manager.

- For Cooks and Cooks of hot and cold workshops - the promotion to the position of Sous-Chef, Chef.

4. Corporate values

4.1. Common corporate values help employees to be aware of their belonging to a common culture, to be guided by common principles when making decisions, to understand and accept the rules of relations with the company, with partners, and with each other.

4.2. Holding corporate events, outdoor events, team building events at least 2 times a year.

4.3. Conducting meetings to inform employees (reports and plans for the future).

5. Attention to the employee as a person

5.1. Congratulations and gifts for significant dates - on the employee's birthday, March 8, etc.

5.2. Congratulations and gifts for the children of employees - for the New Year, for the Children's Day (01.06).

5.3. The opportunity, if necessary, to take time off, vacation at their own expense for personal good reasons, to seek help from the company in difficult life situations.

6. Company reputation

6.1. The positive reputation of the company, both in the market as a whole and as an employer, is an important component of motivation: the popularity and scale of the company, originality and constant development, honesty and conscientiousness, conceptual objects, effective business processes, etc.

Disciplinary measures applied to employees allow maintaining labor discipline, minimizing the number of serious violations in the work of personnel, and increasing the culture of compliance with corporate standards. The following measures may be applied: warning; reprimand; dismissal; fine.

The recruiting process consists of the following stages:

1. Search for candidates:

1.1. Search for candidates through recommended sources.

1.2. Formation of a vacancy announcement.

1.3. Vacancy announcement placement.

2. Selection of candidates:

2.1. Initial selection, analysis of submitted resumes.

2.2. Telephone interview with the candidate.

2.3. Initial interview with the candidate.

2.4. Checking the information about the candidate.

2.5. Personal meeting with the Manager.

2.6. Internship (for candidates who successfully passed the initial interview and background check).

CONCLUSIONS

Summarizing the results of the work done for franchising in the restaurant industry, we can identify the following conclusions:

1. Franchising is a long-term business in which a large company (franchisee) grants a license (franchise) to an individual entrepreneur or a group of entrepreneurs (franchisee) to provide services within a limited geographical area under the franchisor's brand for a certain period of time Cooperation form time and granted under certain conditions stipulated in the contract.

2. Among the factors that contribute to the successful operation of franchise companies, the main ones are the following: stable economic development, improving the legal regulation of franchising, reasonable (in the interests of small and medium business) credit policy, due respect for intellectual property and its protection, the presence of experience in domestic entities of the franchise system, attracting investment in small and medium-sized businesses, information and large-scale advertising of this method of implementing new technologies.

3. The franchising system as an economic phenomenon has more advantages than disadvantages, which leads to the rapid growth of franchising around the world.

4. I have developed a franchising plan for the local restaurant “Crocodile” . It is a booming business operating in Sumy with the potential to grow. And I strongly recommend they implement the results of this study and enter the franchise market with the following plan.

Therefore, establishing and developing franchise relationships is one of the most promising ways to secure the status of small and medium-sized businesses, which has a positive impact on the productivity of Ukraine and the development of the economy as a whole.

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