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INTERNATIONAL FRANCHISE AS A BUSINESS EXPANSION STRATEGY

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АНОТАЦІЯ

Анастасія Пунда. Міжнародний франчайзинг як стратегія розширення бізнесу.

Рукопис. Кваліфікаційна робота бакалавра за спеціальністю 292 Міжнародні економічні відносини, ОПП «Міжнародний бізнес». Волинський національний університет імені Лесі Українки. Луцьк, 2025. 50 с. англійська мова.

Кваліфікаційна робота полягає в дослідженні міжнародного франчайзингу як ефективної стратегії розширення бізнесу. Метою роботи є аналіз теоретичних і практичних аспектів міжнародного франчайзингу, а також оцінка його перспектив в Україні.

У першому розділі розглянуто теоретичні засади франчайзингу, його сутність, види та особливості міжнародного франчайзингу. Також проаналізовано переваги та недоліки використання франчайзингу як стратегії міжнародної експансії.

Другий розділ присвячений аналізу міжнародного франчайзингу як стратегії розширення бізнесу. Розглянуто приклади успішних міжнародних франшиз, фактори, що впливають на успіх міжнародного франчайзингу, а також ризики та обмеження, пов'язані з цією стратегією.

У третьому розділі зосереджено увагу на стратегіях впровадження міжнародного франчайзингу в Україні. Розглянуто етапи виходу на міжнародний ринок, міжнародні моделі управління франшизою та перспективи розвитку міжнародного франчайзингу в Україні

Ключові слова: франчайзинг, франшиза, міжнародний франчайзинг, стратегія розширення бізнесу, міжнародна експансія, міжнародний ринок, міжнародний бізнес.

ABSTRACT

Anastasia Punda. International Franchising as a Business Expansion Strategy.

Manuscript. Bachelor's thesis in the specialty 292 International Economic Relations, Educational Program "International Business". Lesya Ukrainka Volyn National University. Lutsk, 2025. 50 p. English language.

The qualification work consists in studying international franchising as an effective business expansion strategy. The purpose of the work is to analyze the theoretical and practical aspects of international franchising, as well as to assess its prospects in Ukraine.

The chapter 1 examines the theoretical foundations of franchising, its essence, types and features of international franchising. The advantages and disadvantages of using franchising as a strategy for international expansion are also analyzed.

The chapter 2 is devoted to the analysis of international franchising as a business expansion strategy. Examples of successful international franchises, factors influencing the success of international franchising, as well as risks and limitations associated with this strategy are considered.

The third chapter focuses on strategies for implementing international franchising in Ukraine. The stages of entering the international market, international franchise management models and prospects for the development of international franchising in Ukraine are considered.

Keywords: franchising, international franchising, business expansion strategy, international expansion, international market, international business.

CONTENT

INTRODUCTION

Topicality. The relevance of the topic of international franchising in the context of modern business cannot be overestimated. It is determined by a number of key factors that reflect the dynamics of the global economy and the strategic needs of companies. In the modern world of globalization and growing competition, companies are constantly looking for effective strategies for expanding their business and entering new markets. International franchising is one of such strategies that allows companies to quickly and effectively expand their presence internationally, using an already proven business model and brand.

This strategy is becoming particularly relevant in the context of dynamic changes in the global economy, where speed of adaptation and flexibility are key factors for success. Franchising allows companies to minimize the risks associated with entering new markets and use the local knowledge and resources of franchisees to achieve competitive advantages.

The purpose of the study is a comprehensive analysis of international franchising as a business expansion strategy. This study will examine the advantages and disadvantages of franchising, factors for successful entry into international markets, and the role of franchising in the development of international business.

To achieve the stated goal, the following **tasks** were defined:

- to determine the essence and features of international franchising;
- to analyze the advantages and disadvantages of franchising as a business expansion strategy;
- to identify key factors for successful entry into international markets through franchising;
- to investigate the role of franchising in the development of international business;
- to consider examples of successful use of franchising in international business;
- to develop recommendations for the effective use of franchising for business expansion at the international level.

The object of the study research is the processes of international franchising as a business expansion strategy.

The subject of the study is the economic and organizational aspects of international franchising.

Information base of the study. The research used scientific articles, analytical reports, statistical data, official documents of international organizations, as well as information from official websites of state and non-governmental organizations. In particular, the works of Ukrainian authors (M. D. Berdynets, O. M. Hrygorash, M. Kozachuk, etc.) were used, which cover franchising in Ukraine, its development and challenges. International sources (Franchise Direct, Investopedia, Reuters) were also involved, which reveal the world experience of franchising, successful cases and current trends.

Theoretical and practical significance is the development of recommendations for companies that forcast international franchising as a business expansion strategy. The results of the study can be used for:

- optimization of a franchise model by analyzing different franchise models and determining the most effective ones for a specific market;

- develop strategies for entering international markets - to minimize risks and maximize profits when using franchising;

- increase the efficiency of franchise network management - by developing recommendations for managing relationships with franchisees and ensuring the quality of services;

- adapt the business model to local conditions, based on an analysis of the cultural and economic characteristics of different markets;

- minimize legal risks by analyzing the legal aspects of international franchising and developing recommendations for concluding franchise agreements.

Structure of the work. The research work consists of an introduction, three chapters, conclusions and a list of literature and Internat sources used. The first chapter reveals the theoretical foundations of international franchising, including an analysis of the basic concepts, advantages and disadvantages of this strategy.; the second chapter analyzes the factors of successful entry into international markets through franchising, including an analysis of cultural, economic and legal aspects; the third chapter substantiates practical recommendations for the effective use of international franchising, based on an analysis of case studies and statistical data.

Dissemination of research findings. The results of the Bachelor's thesis were presented at the "Festival of Science" held at the Faculty of International Relations of Lesya Ukrainka Volyn National University (report on the topic: "Economic and socio-cultural adaptation of international franchises to Ukrainian realities").

CHAPTER 1
THEORETICAL PRINCIPLES OF FRANCHISING

1.1. The essence and types of franchising

International franchising is a business model in which a franchisor grants independent entrepreneurs the right to use its brand, business model, and operating standards to operate in another country. This approach allows companies to expand their presence in the global market without significant financial investments and risks, as the franchisee, investing his own funds, assumes the main costs associated with opening and managing a business.

The main advantage of international franchising is the ability to quickly scale the business, taking into account the specifics of the local market. The franchisor provides the franchisee with a ready-made business model, training, marketing support, and monitors compliance with corporate standards, while the franchisee adapts the business to local conditions and legal regulations. Such cooperation is beneficial to both parties.

Despite significant advantages, international franchising also has certain challenges. One of the key factors is the need to adapt to the cultural, legal and economic characteristics of the country. In different countries there are differences in legislation on licensing, taxation and protection of intellectual property, which can complicate the process of entering the market. Another important aspect is cultural differences: consumer habits, gastronomic preferences and business practices can differ significantly, which requires the adaptation of the product or service [7].

Franchise relationships are governed by an agreement that defines the rights and obligations of the parties. It usually stipulates the rules for using the brand, financial terms, as well as quality standards that the franchisee must adhere to.

International franchising plays a significant role in the development of the world economy, as it contributes to the transfer of advanced technologies, the creation of new jobs, and the attraction of investments. For countries with economies in transition, such as Ukraine, this model is an effective way to integrate into the global market and develop small and medium-sized businesses. Well-known international franchises such as McDonald's, Zara, and KFC operate on the Ukrainian market. Additionally, the text mentions Coca-Cola, Starbucks, Subway, Domino's Pizza, IKEA, MasterCard. Ukrainian companies, in particular Lviv Croissants, successfully use the franchise model to enter foreign markets [17, p. 86].

An important component of success is a clear and complete knowledge by the entrepreneur of the essence of franchising, its types, structure, advantages and possible characteristics when using it.

Franchising can be defined in different ways depending on the focus of the analysis. Franchising is a system of contractual relations between the franchisor and the franchisee through cooperation and production in the field of sales of goods and services [13].

Franchising is a mutually beneficial form of cooperation between large and small businesses: granting a small firm a license for a trademark or technology, rights to manufacture or sell products of a large, independent firm with a high rating in the market [11].

Franchising is a way of organizing a business, using which the franchisor (usually a large company) transfers to the franchisee (small or medium-sized enterprise) for a certain fee the right to use the franchise (a package of exclusive rights) [19].

We consider the franchising as a business model that allows one person or company (franchisee) to use a successful business model, trademark and operating system of another company (franchisor) in exchange for an initial fee and regular payments (royalties).

There are three main types of franchising: product franchising, production and business franchising.

Product franchising is a franchising in the field of trade for the sale of finished products. The franchisee buys goods from the franchisor and then resells them on behalf of the franchisor, often refusing to sell competitors' goods [13].

Production franchising is a franchising for the production of goods. The franchisee produces goods locally, using the franchisor's technology and raw materials, and adheres to corporate standards [4, p. 36].

Business franchising is the most popular form of franchising. In this form, the franchisor sells a license to individuals or other companies for the right to open stores, kiosks or entire groups of stores to sell a set of products and services to customers under the franchisor's name. In recent years, the classic franchising model has changed in the direction of providing the franchisor with additional opportunities for rapid development at the lowest cost [50].

First of all, it is important to consider the degree of readiness of the products that the franchisee receives for sale. Product franchising allows for the rapid introduction of finished products to new markets. Production franchising makes it possible to adapt products to local standards. Business franchising provides a full package including service standards, marketing and training.

In addition, it is necessary to consider the number of franchise enterprises owned by one franchisee: single-unit, multi-unit, or combined formats. Franchising models also vary by roole of intermediaries (direct, inderect, regional, subfranchising) and francisee's freedom (restrictive or flexible) [49].

The location and residency of the franchisees is also an important factor. International franchising requires consideration of cultural and legal differences. IKEA adapts its stores and assortment to local tastes. Domestic and national franchising allow you to focus on the specifics of the local market. For example, a pharmacy chain can expand within one country. Finally, it is necessary to consider the franchisee's right to engage in other activities. Restrictive franchising provides control over the brand. Car dealers, for example, are often limited to selling only one brand. Unrestricted franchising gives more freedom. For example, a franchisee can combine selling coffee with selling books.

All these various classifications of franchising are further summarized and illustrated (See Fig. 1.1.).

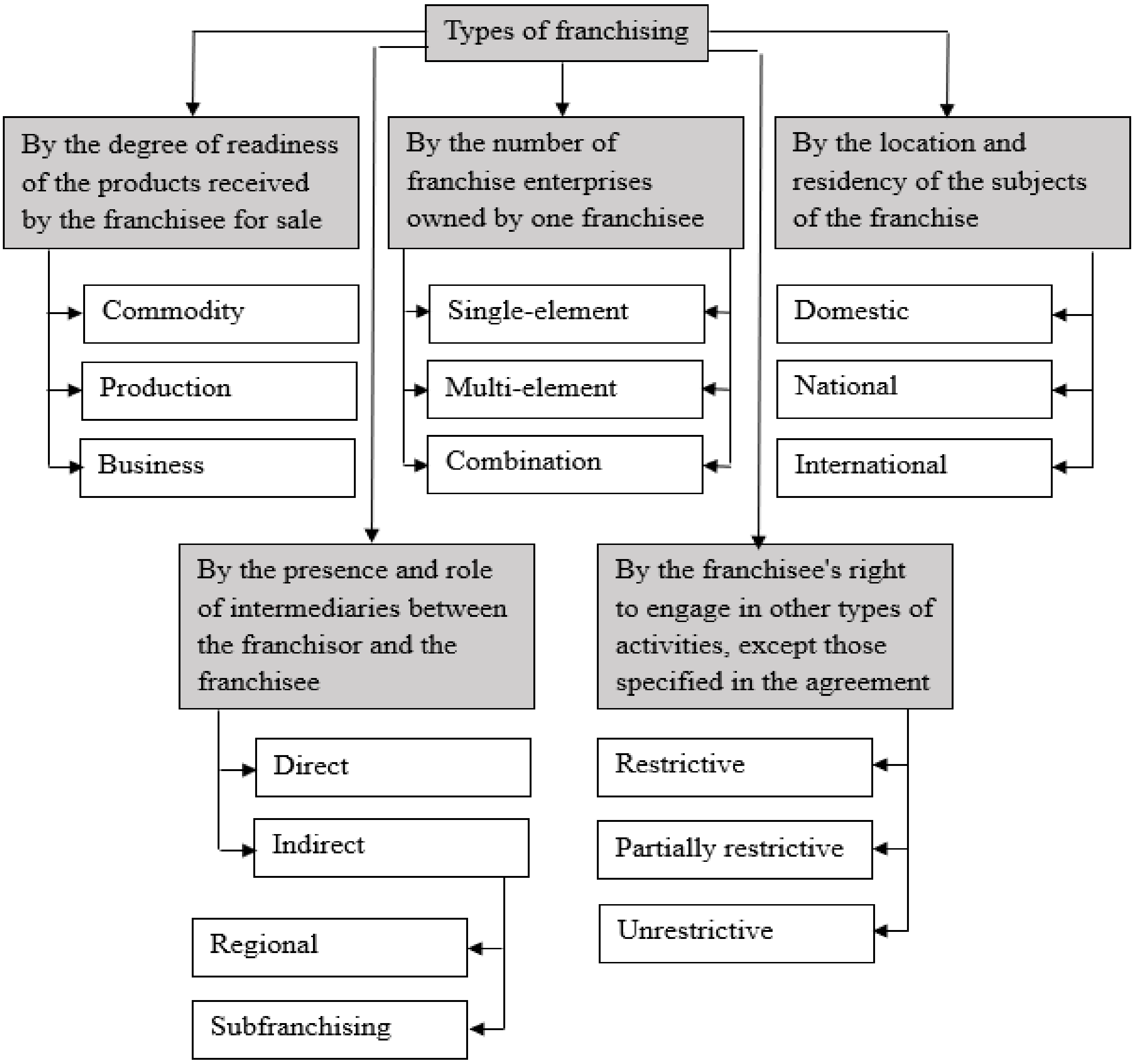

Fig. 1.1. **Classification of franchising types**

Compiled by the author based on [24].

Taking all these factors into account, companies can choose the most effective strategy for international expansion. International franchising is not only about business, but also about cultural exchange that contributes to economic development and strengthening international ties.

International franchising is an effective tool for rapid business expansion in the global market, allowing companies to use ready-made business models and brands, adapting them to local conditions. However, success depends on careful consideration of the cultural, legal and economic characteristics of each country. The variety of types of franchising, from product to business format, gives companies flexibility in choosing a strategy. Proper management of franchise relationships contributes not only to business development, but also to the strengthening of international economic relations.

1.2. International franchising: features and specifics

International franchising, as a phenomenon of business globalization, is a complex system where the interests of large corporations and local entrepreneurs are intertwined. It is not just the sale of rights to use a brand, but a whole philosophy of partnership, where the success of one depends on the success of the other. In today's world, where borders are blurred and the global economy is becoming increasingly interconnected, international franchising plays a key role in expanding business beyond national markets. It is not just a way to enter new territories, but a strategic partnership that allows companies to quickly scale up, using local knowledge and resources.

International franchising is based on a contractual basis of cooperation. This is not just an agreement, but a detailed plan that regulates every step of the franchisee. From the use of a trademark to financial obligations, every aspect of the business is clearly spelled out, which creates the foundation for stable and transparent relations [13]. It sets standards that must be followed and defines the framework within which the franchisee can operate. In the world of international business, where legal systems differ from country to country, this agreement becomes a guarantee of security and stability for both parties.

The franchisor transfers not only the brand, but also an entire business model. The franchisee receives not only the right to use the name, but also the tools to successfully run the business. This business model is the result of many years of experience and knowledge of the franchisor, and it gives the franchisee a competitive advantage in the local market.

Unified corporate standards are like threads that connect the different parts of the global network into a single whole. Product quality, service, design – all of this must meet high standards so that every customer, regardless of country, receives the same experience [49].

Financial terms are like the fuel that fuels the franchise system. The entry fee, royalties, marketing fees – all this creates a stable income for the franchisor and stimulates the development of the network [4, p. 40]. These financial terms are not only a source of income, but also an incentive for the franchisor to provide support and resources to the franchisee.

But international franchising is not just about copying a successful model. Like Starbucks in Japan, each franchisee must take into account local characteristics so that its business becomes part of the local culture. In a world where cultural differences can be significant, the ability to adapt is a key factor in success.

Legal, financial, cultural differences — all require careful analysis and planning [24]. These risks can be significant, but they can be minimized through careful planning and management.

But despite all the challenges, international franchising remains an effective tool for global expansion. It allows companies to scale quickly, reducing investment risks, while supporting the development of local entrepreneurship. In a world where globalization is becoming increasingly important, international franchising plays a key role in the development of international business.

Legal issues play an extremely important role in international franchising. The franchise agreement must be concluded in accordance with the laws of the country where the franchisee operates. Each country has its own specifics in the legislation governing franchising, and these laws can significantly affect tax obligations, licensing and protection of intellectual property rights. In the case of Ukraine, franchising issues are regulated by civil law, in particular, the Civil Code of Ukraine, which determines the legal status of the parties to the agreement and provides a mechanism for protecting the rights of both parties [31, p. 448].

The protection of intellectual property rights is especially important, since in international franchising the franchisor transfers a significant part of its assets to the franchisee in the form of a brand, know-how, technologies and business methods.

International franchising is not limited to granting the right to use the brand. The franchisor also provides the franchisee with a detailed business concept, marketing strategies, operational standards and even a personnel training system.

Studies evidence that successful franchise networks largely depend on the effective transfer of know-how. For example, companies like McDonald's or Starbucks have a high-quality staff training system that ensures the same service standards in different countries [14, p. 59].

One of the key aspects of international franchising is the need to adhere to uniform brand standards and adapt to the specifics of the local market. However, at the local level, it is necessary to take into account the cultural, social and economic characteristics of the country where the franchise is carried out.

Successful franchise chains such as McDonald's or KFC are examples of how important it is to adapt products to local conditions. In China, McDonald's offers dishes with rice, and in India — vegetarian menu options. Such adaptation helps brands maintain consumer loyalty and successfully operate in different markets [5, p. 90].

International franchising involves various financial risks, including currency fluctuations and differences in tax systems. Exchange rate fluctuations can also affect the profitability of franchise agreements, especially in times of economic instability. For example, in countries with high inflation or unstable currencies, models may be used that provide for the payment of royalties in stable currencies or even adjust the terms of the contract [1, p. 96].

The franchisor must take into account the mentality of consumers, their cultural characteristics and habits in order to adapt its business model to local conditions. This includes not only the adaptation of products, but also the correct planning of marketing campaigns, advertising materials and even the design of retail outlets, which must meet local traditions and consumer requirements [28, p. 77].

The success of such a model depends on the ability to adapt the business to local conditions, while maintaining uniform corporate standards. Thus, international franchising is an effective tool of globalization that contributes to business expansion and support for local entrepreneurship.

1.3. Advantages and disadvantages of international franchising

International franchising is an effective strategy for companies seeking to expand their operations in the global market. This approach involves cooperation with local partners who take over the management of the business under the franchisor’s brand. This model allows companies to quickly enter new markets, minimizing risks and using the knowledge of local entrepreneurs.

One of the key *advantages* of international franchising for the franchisor is the possibility of rapid scaling and market expansion [3, p. 12]. Franchising allows a company to expand its network without the need for significant direct investments, which allows it to focus on strategic development and brand management.

In addition, international franchising helps reduce financial risks. The franchisee, as a local entrepreneur, takes on some of the financial risks associated with opening and managing a business in a new market [15].

In addition, international franchising ensures the use of local knowledge and resources. Franchisees, as a rule, have in-depth knowledge of the local market, consumers and business practices, which allows the franchisor to adapt its business model to local conditions and compete effectively in the market [25, p. 195].

International franchising, despite its obvious advantages, also carries a number of potential risks for the franchisor.

One of the key disadvantages is the loss of control over the business. The need for constant monitoring and control of the franchisee's activities requires significant resources, both financial and human. In addition, there is a significant risk of reputational losses. Failure to comply with quality standards, unethical behavior or even accidental mistakes can damage the franchisor's reputation, which, in turn, can lead to a loss of consumer trust [12].

High costs of supporting franchisees are also a significant disadvantage of international franchising. Adapting the business model to local conditions, training staff and providing ongoing support are processes that require time, money and expertise.

Finally, there is a risk of leakage of confidential information [30, p. 247]. The need to protect intellectual property and ensure confidentiality is becoming a critically important aspect of international franchising.

Using a well-known brand and business model is one of the key advantages. This allows you to avoid the long process of forming your own brand and gaining consumer trust [13].

Receiving support and training from the franchisor is another important advantage. The franchisor provides the franchisee with comprehensive support, including training, consulting, and assistance in opening and managing a business. This allows the franchisee to adapt to the business model faster, avoid common mistakes, and effectively manage their enterprise.

Reducing marketing and advertising costs is also a significant advantage. The franchisor provides ready-made marketing materials and support in marketing issues, which allows the franchisee to focus on business management.

Also, access to suppliers and resources is another important advantage. The use of established supply channels and access to the franchisor's resources allows the franchisee to gain competitive advantages and ensure business stability.

International franchising, despite its advantages, also carries a number of potential risks for the franchisee. These risks, like shadows accompanying the light of opportunity, require careful analysis and careful management.

One of the key disadvantages is the high initial investment and royalties. This limits access to franchising for many entrepreneurs, especially at the initial stage of business development.

In addition, the franchisee faces restrictions in decision-making. This can limit the franchisee's creativity and initiative, as well as make it difficult to adapt the business to the specifics of the local market.

Dependence on the franchisor is another significant disadvantage. The franchisee depends on the reputation and success of the franchisor. This creates a sense of vulnerability and dependence on external factors.

There is also a risk of conflicts with the franchisor. Differences in views on business management or the interpretation of the contract can lead to conflicts that negatively affect the franchisee's business [21, p. 62].

In addition, the difficulty of adapting to local conditions is another challenge [30, p. 252]. The need to take into account the cultural, economic and legal characteristics of the local market can require significant efforts and resources.

Thus, international franchising, as a business expansion strategy, has both significant advantages and certain disadvantages for both parties – the franchisor and the franchisee.

A detailed overview of these advantages and disadvantages for both the franchisor and franchisee is presented in the Table 1.1.

Table 1.1.

Advantages and disadvantages of international franchising for the franchisor and franchisee

Side	Advantages	Disadvantages
Franchisor	- Rapid business scaling using franchisee resources - Minimization of financial risks when entering new markets - Increased profitability and brand awareness - Use of knowledge and resources of local partners - Reduced need for direct investments	- Loss of control over the quality of products/services - Reputational risks due to the actions of the franchisee - High costs of supporting the franchisee (training, consulting) - Risk of leakage of confidential information
Franchisees	- The right to work under a well-known brand - Access to a proven business model - Support and training from the franchisor - Reduction in marketing and advertising costs - Access to established supply channels and resources	- High initial investments and royalties - Limitations in management decisions - Dependence on the franchisor and its reputation - Risk of conflicts with the franchisor - Difficulty in adapting to local conditions

Compiled by the author.

CHAPTER 2

ANALYSIS OF INTERNATIONAL FRANCHISING AS A BUSINESS EXPANSION STRATEGY

2.1. Examples of successful international franchises

The franchise model is particularly successful in fast food due to standardized processes, strong brand recognition, and established supply chains ensuring consistent quality. McDonald's and Subway exemplify this, achieving global financial success and cultural integration by adapting their offerings to local tastes and consumer needs [45].

McDonald's holds a special place among global brands; its phenomenal recognition and golden arches symbolize globalization. Its colossal network, spanning almost all corners of the planet, is due to a thoughtful and effective franchising strategy. This model allows McDonald's to maintain uniform product quality and customer service standards, a key factor in global consumer trust.

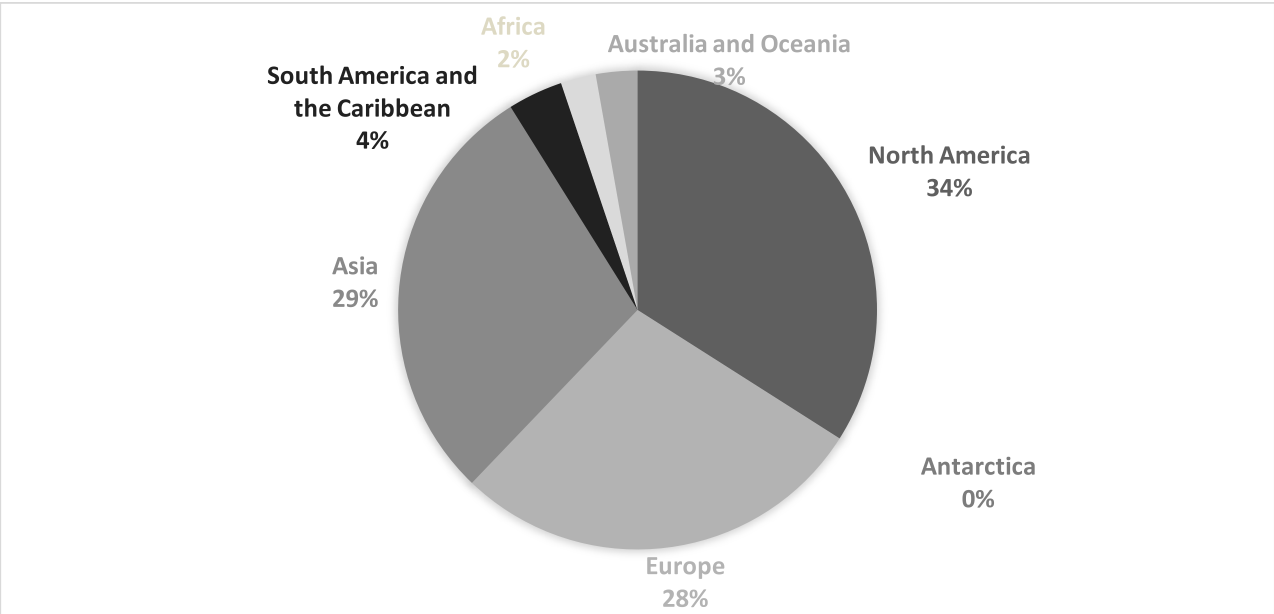

Fig. 2.1**. Geographical distribution of McDonald's by continent (2024)**

Compiled by the author based on [56].

McDonald's has a significant global presence, with the largest concentration of restaurants in North America (15,046). Asia (12,805) and Europe (12,449) also show strong numbers. Fewer locations are found in South America and the Caribbean (1,646), Australia and Oceania (1,240), and Africa (1,049), highlighting McDonald's adaptable market entry strategy.

McDonald's total revenue is a comprehensive measure that includes not only sales from franchised restaurants, but also revenue from its own corporate restaurant network, as well as other payments from franchisees [67].

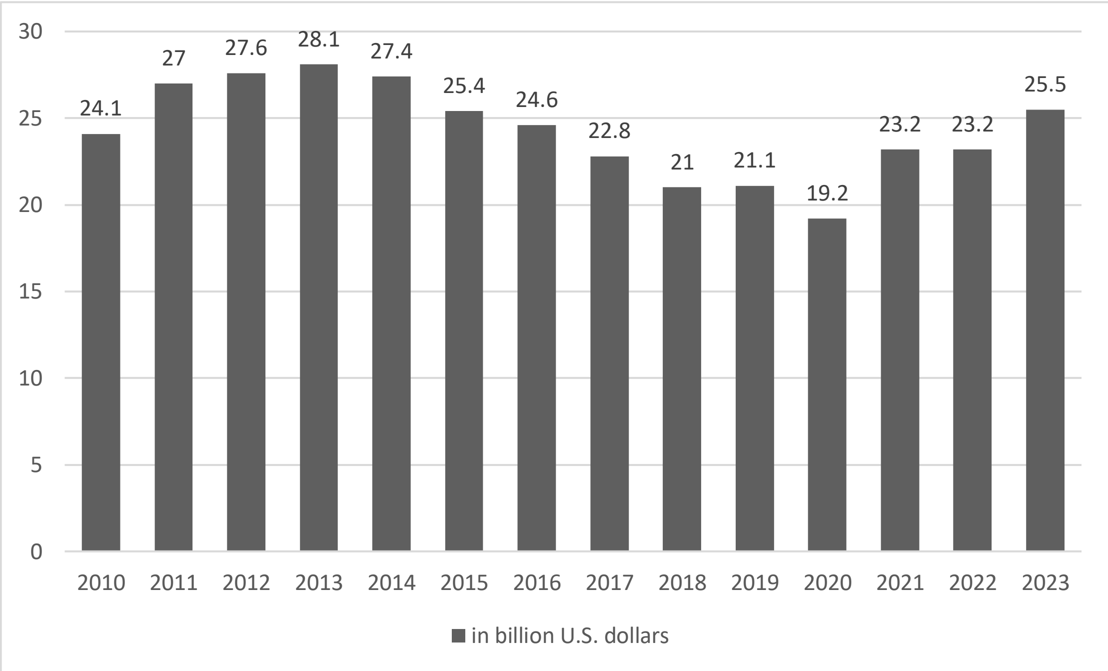

Fig. 2.2. **McDonald's revenue worldwide (2010-2023)**

Compiled by the author for [69].

McDonald's global revenue grew from $24.1 billion in 2010 to $28.1 billion in 2013, then declined to $19.2 billion by 2020 due to business model changes, competition, and the COVID-19 pandemic. From 2021, revenue stabilized and increased to $25.5 billion in 2023, driven by digital solutions, delivery expansion, and adapting to new consumer habits.

Subway IP LLC, although offering a different approach to fast food than McDonald's with an emphasis on fresh ingredients and the ability to individualize orders, has had a larger number of restaurants in the world for a significant period of time [57].

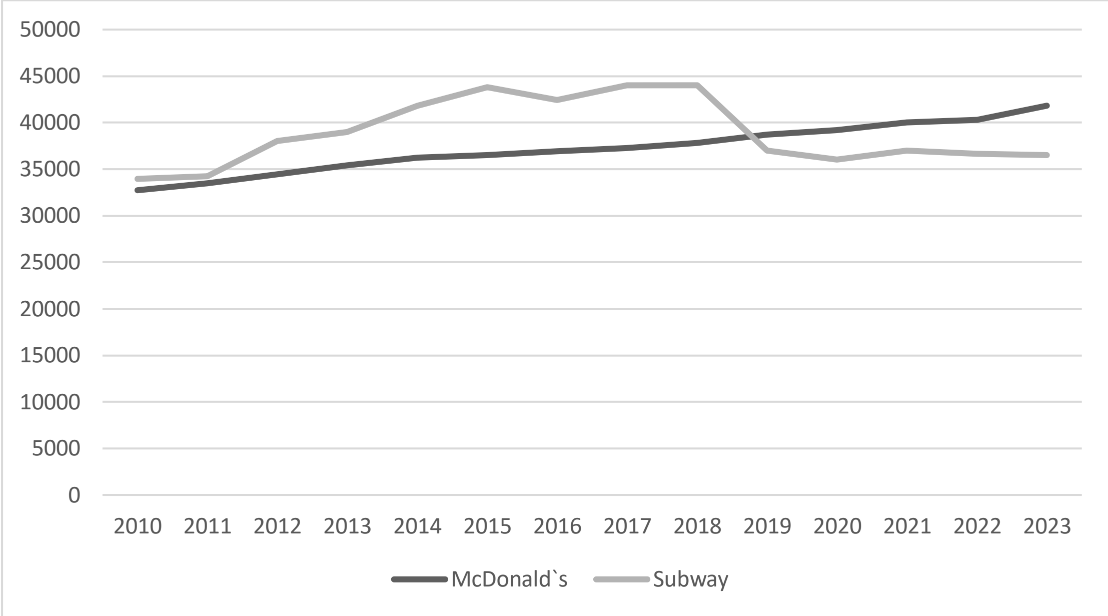

Fig. 2.3. **Number of Subway and McDonald's restaurants (2010-2023)**

Compiled by the author based on [38].

From 2010 to 2023, Subway had more restaurants than McDonald’s, but after 2017 this advantage began to decrease: if in 2015 Subway had almost 7,000 more points, then from 2019 their number began to decrease rapidly — from 44,000 to 36,516 in 2023. In contrast, McDonald’s showed stable growth: from 32,737 restaurants in 2010 to 41,822 in 2023. This trend indicates a gradual reduction in the Subway network, probably due to market saturation, competition and internal problems, while McDonald’s maintained steady growth thanks to a strong brand, adaptability and franchise model.

Subway IP LLC also has a significant geographical presence, but their strategy for entering international markets may differ from McDonald’s approach. They often focused on markets with less competition or specific niches where their "do-it-yourself" format could be particularly appealing to consumers. Subway's annual revenue is significant, but it has generally been lower than McDonald's. This could be due to a variety of factors, including lower average check value, potentially lower throughput at individual franchise locations, or differences in revenue structure.

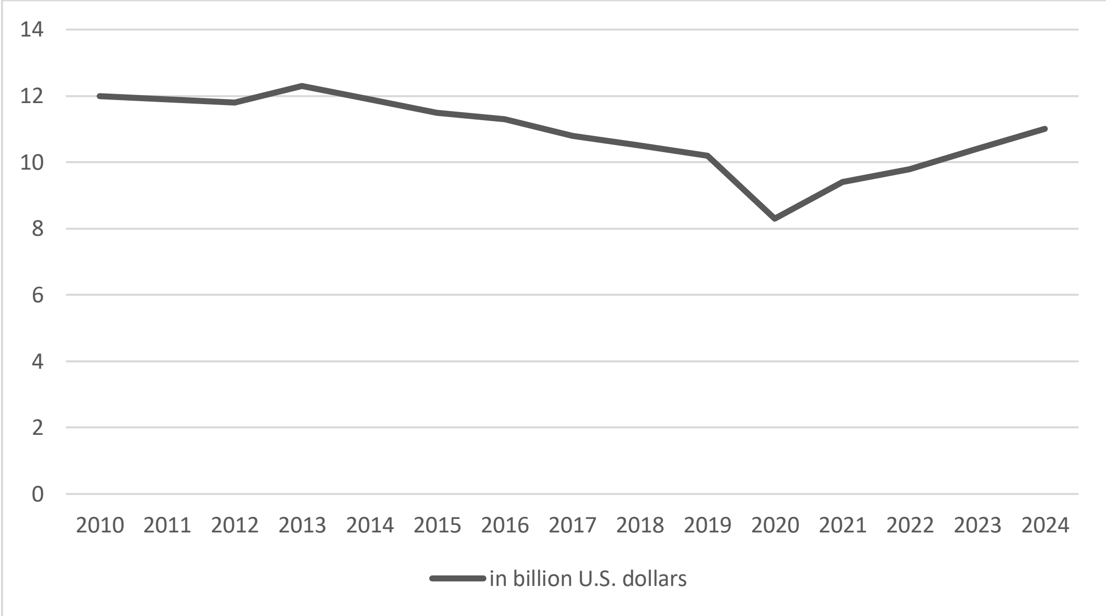

Fig. 2.4. **Subway's worldwide revenue (2010-2024)**

Compiled by the author based on [68].

Subway's U.S. revenue peaked in 2010–2013 at $12.3 billion, then steadily declined to a low of $8.3 billion in 2020 due to the COVID-19 pandemic. From 2021, recovery efforts through menu updates, digital solutions, and brand repositioning have brought revenue close to $11 billion by 2024.

Analysis of McDonald's and Subway confirms that global franchising is effective when brands adapt to local markets, leading to significant financial results and sustainable global presence. McDonald's exemplifies this success through its strong brand, clear quality standards, and adaptability to diverse cultural and economic conditions [43].

2.2. Factors affecting the success of international franchising

Success in international franchising is multi-faceted. For a franchisor, it means rapid network growth, enhanced brand recognition, increased revenues, and a strong reputation. For a franchisee, success involves profitable operations, brand recognition, customer loyalty, franchisor support, and aligning with personal goals. This symbiotic relationship, where both parties achieve their aims, is key. Franchises also generally boast a higher survival rate than independent startups, highlighting this model's significant international expansion potential.

Key factors for success in *international franchising:*

- *Strategic planning and market assessment.* A clear, long-term strategic plan is necessary for successful international expansion. It must be a thoughtful, committed move, not a spontaneous decision. The global franchise market is forecast to grow by $1.63 trillion between 2022 and 2027, corresponding to a compound annual growth rate of 9.58% [60]. The first and most important step is to conduct thorough market research to understand consumer demand, competition, and local preferences. Target country assessment involves a comprehensive analysis of various factors, including economic, social, cultural, and political aspects, both internal and external to the franchisor. For example, India has one of the highest franchising growth rates in the world — about 30% per year [41]. When assessing a market, consider standard of living, economic stability, cultural factors, demographics, and product availability.

- *Adaptation and localization.* The key to success is adapting the franchise model to local tastes, cultural values, and consumer habits. McDonald's in Japan, for instance, offers local seasonal dishes, demonstrating the need for flexible core offerings while maintaining brand identity. Cultural differences significantly impact consumer behavior, management styles, and employee relations. Cultural competence and sensitivity are crucial for international business, affecting communication and partnerships. Research shows 67% of failed international expansions underestimated cultural barriers [71].

- *Franchisor capabilities and commitment.* The franchisor’s capabilities play a significant role, including brand loyalty, leadership, adaptability, and innovation. A successful franchisor is deeply committed to their brand, inspiring both franchisees and customers, and demonstrates strong leadership qualities. Studies show that 85% of franchised businesses survive more than 5 years, compared to only 50% of independent businesses [6]. A strong brand and franchisor support are crucial. Continuous innovation is essential for competitiveness and relevance in international markets. Adaptability and proactivity are key for sustained success, requiring the franchisor and its offerings to evolve. The ability to respond effectively to crises is vital for minimizing negative impacts and ensuring business continuity.

- *Effective Franchisee Selection and Partnership.* Choosing the right local operator with market experience is critical for international success. It is crucial to find a franchisee experienced in supply, marketing, operations, and real estate. When McDonald's entered India, they collaborated with local partners to develop unique menu items like McAloo Tikki, reflecting local tastes [51]. Ideal franchisees deeply understand the local market, are financially strong, and genuinely passionate about the brand. Due diligence is crucial to assess their credentials for a long-term partnership.

- *Operational excellence and comprehensive support.* A reliable and scalable supply chain is essential for international operations and should be a priority, ensuring all components are in place before contracts are signed. When entering China, Starbucks heavily invested in local coffee suppliers while importing proprietary ingredients to maintain taste consistency [40]. It's important to balance local sourcing with importing key products. Successful franchisors provide comprehensive training, ongoing assistance, and marketing support, with digitized manuals ensuring global brand consistency. Open communication is vital for knowledge sharing, issue resolution, and building trust between franchisor and franchisee.

- *Navigating the legal and financial environment.* Ensuring compliance with foreign laws (franchise, employment, intellectual property) is crucial, as navigating diverse international legal systems presents a significant challenge. Understanding and managing tax implications, including income, VAT, and non-resident income tax, is equally vital. A 2022-2023 study found international companies' average tax compliance costs were $25.6 million (43% from foreign-sourced income), a 32% increase since 2017 [35]. International franchise royalties and payments must account for currency fluctuations and local taxes. Agreements should include clear dispute resolution mechanisms. Investment payback periods, a key factor, require detailed consideration in (Table 2.1.).

Table 2.1

Average payback periods for franchise investments in various industries

Franchise Industries	Examples	Average Payback Period
Catering / Fast Food	McDonald's, Subway, KFC, Starbucks	1-3 years
Retail	7-Eleven, Miniso, Zara	2-4 years
Home Services	Chem-Dry, Mr. Handyman, Jani-King	1-3 years
Fitness & Wellness	Anytime Fitness, F45, Orangetheory	2-8 years
Education & Training	Kumon, Helen Doron, Code Ninjas	2-5 years
Medical & Social Services	Home Instead, Right at Home	2-4 years
Tourism & Hospitality	Hilton Garden Inn, Marriott	8-15 years
Beauty & Care	The Lash Lounge, Massage Envy, Jean Louis David	2-4 years
Automotive Services	Midas, Meineke, CARSTAR	2-5 years
Business Services / B2B	The UPS Store, FastSigns, Regus	1,5-4 years

Compiled by the author based on [44].

Payback periods vary significantly by industry. Low-cost sectors like "Home Services" and "Business Services / B2B" see faster returns (1-4 years), while high-investment areas such as "Tourism and Hospitality" require longer periods (8-15+ years). Food service and retail typically average 1-4 years.

➢ *Brand Management and Quality Control.* It is important to maintain brand consistency and quality standards across all international locations. Strategies need to be developed to ensure brand loyalty while allowing for necessary local adaptations. The franchisor plays an important role in protecting and enforcing intellectual property rights in international markets [53].

➢ *Innovation and continuous improvement.* Continuous innovation is necessary to adapt to competition, technological progress and changing consumer needs in international markets. Research shows 30% of companies innovated between 2016-2018, highlighting innovation's growing importance in business today [58]. Collaboration between franchisor and franchisee is valuable for innovation.

Continuous learning and capacity building are essential for both parties.

International franchising offers significant growth but demands careful planning, adaptation, and commitment. Key success factors include strategic planning, local adaptation, strong franchisor capabilities, effective franchisee partnerships, operational excellence, and navigating complex international environments. Well-prepared, strategically focused companies can unlock its significant potential.

2.3. Risks and limitations of international franchising

Despite the above-mentioned advantages, international franchising is associated with significant risks and limitations that can significantly affect the success of the enterprise.

- *Cultural and language barriers.* A key challenge in international franchising is cultural and language barriers, which can significantly impact business model perception and lead to failures, even for large corporations. eBay's struggle in China against local competitor Taobao exemplifies this. eBay's irrelevant auction model, lack of localized services, and insufficient flexibility failed to meet Chinese consumer preferences for direct prices, fast transactions, and convenient communication, which Taobao successfully provided [72]. Ignoring cultural sensitivity and insufficient localization were significant obstacles to eBay's failure in one of the world's largest e-commerce markets. IKEA effectively localized in China with relevant showrooms. Language barriers necessitate deep interpretation, not just translation. Successful international expansion
- *Legal and regulatory complexities.* International franchising faces significant legal and regulatory difficulties due to diverse laws on franchising, taxation, labor, and intellectual property. The absence of universal legislation necessitates involving local lawyers and adapting to each market, alongside risks from political instability, currency volatility, and regulatory shifts. Legal barriers often cause expansion failures, exemplified by KFC China's 2012 scandal: their supplier provided

chicken with excessive antibiotics, leading to a 41% sales drop in January 2013 and severe reputational and legal repercussions [65]. This case illustrates the importance of adhering to local quality and safety standards in international franchising.

➢ *Financial Risks and Considerations.* International franchising involves significant financial risks requiring careful planning. Currency fluctuations (e.g., Turkish lira affecting Starbucks) and economic instability reduce profitability and royalty income. Franchisees often face financing difficulties. Profitability also depends on goods, labor, rent, and inflation costs. Quiznos exemplifies these challenges: high franchisee supply costs (39% of revenue), conflicts resulting in a $100 million settlement, and weak marketing led to its network shrinking from 4,700 to under 400 restaurants by 2017, culminating in a 2014 bankruptcy filing with over $400 million in debt [55]. This case demonstrates how financial instability and poor management can undermine even a once successful franchise system.

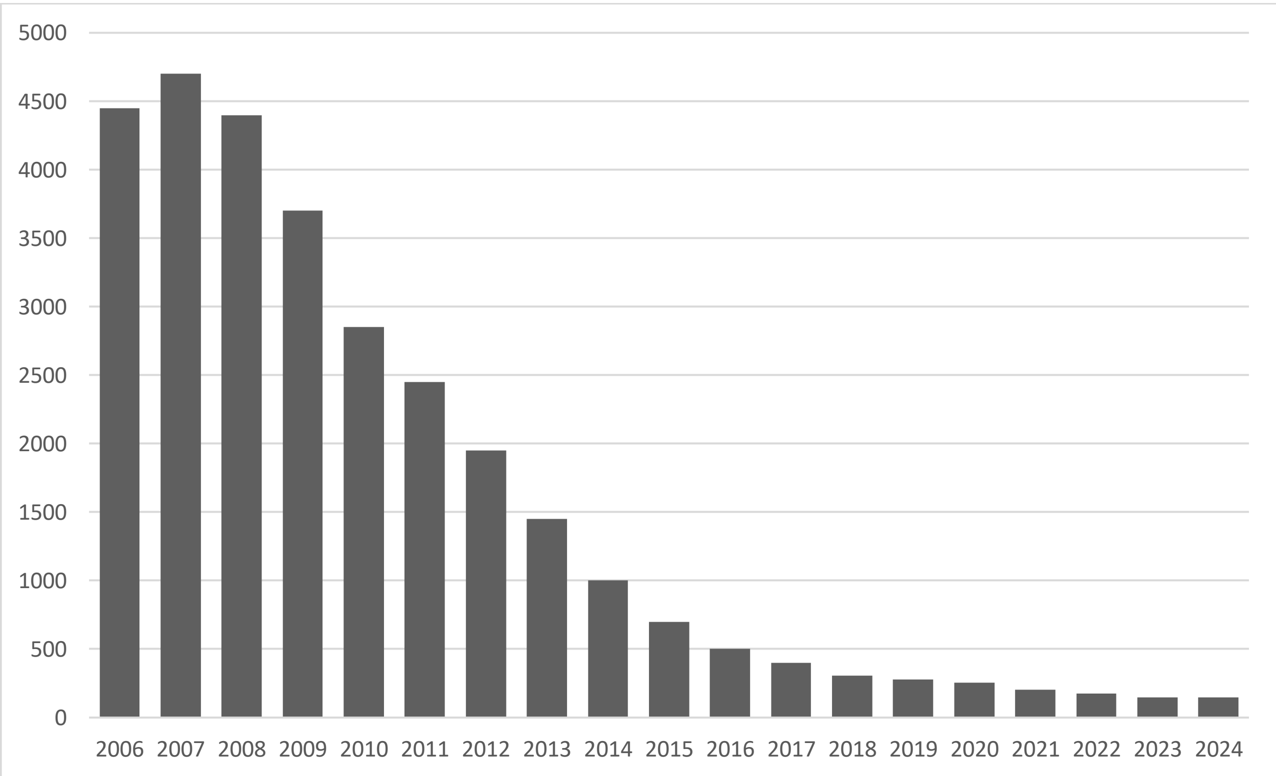

Fig. 2.5. **Dynamics of the decline in the number of Quiznos restaurants**

Compiled by the author based on [55].

➢ *Operational challenges and quality control.* Maintaining consistent international franchise standards is challenging due to distance, language, and varied operating conditions, potentially leading to inconsistencies, as seen with McDonald's Sri Lanka closure in 2024 due to health and safety violations [70]. Ensuring standards requires effective training, clear instructions, and quality communication. International supply chains face complexities with logistics, customs, and balancing local procurement with branded ingredients. Communication is further complicated by time zones and cultural differences, necessitating investment in appropriate tools. The key challenge lies in combining global standards with local adaptation.

➢ *Risks to reputation and brand integrity.* Insufficient service levels in international franchise offices threaten brand reputation, amplified by digital reviews. Franchisee actions and cultural differences can negatively affect brand perception, necessitating franchisor adaptation to local characteristics. Walmart's billion-dollar failure in Germany exemplifies this: its American management style (e.g., mandatory smiles), "everyday low prices" conflicting with antitrust laws, ignored labor standards, logistics issues, and poor assortment adaptation led to its 2006 market exit [63].

➢ *Risks associated with selecting and managing franchisees.* Finding qualified international franchisees is tough, as they need financial resources, market knowledge, and alignment with the franchisor's vision. A notable example is McDonald's India's 2017 termination of its agreement with Connaught Plaza Restaurants (CPRL) due to royalty disputes and financial issues, leading to 160 restaurant closures. McDonald's later bought out CPRL's stake to regain full control [33]. Cultural differences and different business practices can complicate relationships and cause disagreements on pricing, marketing or operations. Clear communication, thoughtful agreements and effective conflict resolution are essential. Monitoring compliance with brand standards is complicated by the lack of direct supervision, which requires regular monitoring, audits and sanctions for violations. The financial stability of the franchisee directly affects the franchisor’s revenues and reputation, so ongoing support and training are necessary. Cultural sensitivity and the ability to adapt on both sides are key to building trust and effective cooperation.

To mitigate risks, thorough market research is essential, adapting the business model, products, and marketing to local conditions. Involving local lawyers and experts, plus creating culturally appropriate training, is vital. Franchise agreements must be clear and adaptable. Careful franchisee selection, effective communication, robust support, quality control, meticulous financial planning, and proactive currency risk management are indispensable. Partnering with local experts and fostering openness, transparency, and trust are foundational for long-term international franchising success.

Table 2.2.

Examples of key differences in franchise legislation in different countries

Country	Existence of special laws on franchising	Pre-contractual disclosure requirements	Cooling-off period	Registration requirements for a franchise agreement	Features of intellectual property protection
USA	Yes	Mandatory Franchise Disclosure Document (FDD)	No	No	Federal and State Trademark and Patent Laws
Australia	Yes	Longer disclosure and cooling-off period	Yes	No	Trademark and Patent Laws
Brazil	Yes	Agreement must be translated into Portuguese and registered	No	Yes	Registering Trademarks with the National Institute of Industrial Property (INPI)
China	Yes	Regulated by the Ministry of Commerce	No	Yes	Trademark, Patent and Copyright Laws, but Enforcement Can Be Unpredictable
Singapore	No	No disclosure requirements	No	No	IP Protection is governed by common law, proof of concept is important

Compiled by the author based on [59].

The Table 2.2. illustrates the diversity of regulatory approaches to franchising in different countries, including the presence of specific legislation, pre-contractual disclosure requirements, cooling-off periods, the need to register franchise agreements, and the specifics of intellectual property protection. These differences highlight the importance of carefully studying the legislation of each specific country before entering its franchising market to ensure legal compliance and protect your interests. International franchising offers opportunities for growth, but carries significant risks: cultural and language barriers, legal complexities, financial risks, operational challenges, reputational risks, and difficulties in managing franchisees. Statistics prove a higher failure rate for international franchises, which emphasizes the importance of careful research and adaptation. Successful business expansion through international franchising depends not only on a well-known and strong brand, but primarily on the ability to adapt to new conditions. The examples of McDonald’s, Subway, KFC or eBay show that simply copying an already familiar model for another country is not enough. It is necessary to take into account local culture, laws, customer expectations and have established cooperation with partners. Franchising is a constant work on quality, flexibility in decision-making and the ability to build honest relationships between the franchisor and franchisee. If you do not pay attention to local characteristics or have weak control, this can lead to losses and a deterioration in reputation. In international franchising, those who are ready to learn, adapt and work on an equal footing with local partners win.

CHAPTER 3
STRATEGIES FOR THE IMPLEMENTATION OF INTERNATIONAL FRANCHISING IN UKRAINE

3.1. Stages of entering the international market

Successful international franchising hinges on a company's internal readiness: a unique, profitable business model, strong team, sound finances, clear strategy, and the ability to support franchisees. Expansion goals must be resource-based, market-analyzed, and part of a gradual, long-term strategy. Starbucks exemplifies this, first perfecting its model domestically before global expansion via franchising and joint ventures, adapting to local conditions. Their clear value proposition, standardized operations, and strong franchisee support were key to global success [32].

Before international market entry, in-depth market analysis is crucial, defining strategic expansion goals and aligning target audience, competitors, and unique selling propositions with the overall brand strategy. Studying both end consumers and potential franchisees is vital. Starbucks' successful joint venture with Tata Group in India exemplifies this, demonstrating how deep market research, cultural adaptation, and local partnerships drive sustainable growth and market penetration, with plans for 1,000 stores by 2028 focusing on local partner development and customer experience [66].

It's crucial to evaluate the competitive environment, political stability, franchising legislation, technological readiness, and economic risks. The next step is choosing the optimal international franchising model.

Direct franchising offers maximum control but is resource-intensive, best for culturally similar markets (e.g., Subway's global growth with over 37,000 locations). Master franchising grants exclusive territory rights to a master franchisee, enabling faster market penetration via local expertise but reducing franchisor control (e.g., McDonald's with Arcos Dorados managing nearly 2,300 restaurants in Latin America) [43].

Territory development franchising grants a franchisee rights to open multiple locations in a defined area, offering more controlled expansion than direct franchising but demanding significant franchisee financial capacity (e.g., Domino's Pizza).

Joint ventures involve partnerships with local companies to enter complex markets, providing local expertise but entailing shared control and potential conflicts.

International franchising faces significant legal complexities due to diverse laws on franchising, intellectual property, labor, and trade [26, p. 102]. Agreements must be legally clear and adapted to each country, determining applicable law, jurisdiction, payment currency, financial protection, termination conditions, and IP protection. Clear licensing restrictions are crucial for brand integrity. For example, Starbucks successfully sued Chinese company Shanghai Xingbake Coffee in 2006 for unauthorized use of its name and logo, proving its earlier trademark registration in China [52].

This case highlights the importance of timely intellectual property registration and proactive brand protection in international markets, setting a precedent for other companies.

Financial planning for international franchising requires budgeting for initial and ongoing expenses. Initial costs can be significantly higher due to legal fees, market research, travel, and localization. For instance, McDonald's Restaurants require a $1.47-$2.64 million investment (including a $500,000 franchise fee), while less capital-intensive franchises like Two Maids cost $93,440-$149,890 [47].

Regarding current costs, the average royalty size is usually from 4% to 12% of the gross income. There may also be additional marketing fees that usually make up 1% to 4% of income [64]. Accounting for these costs is critical for financial viability in international markets. Successful international franchising depends on effective localization, adapting products, services, and operations—including business practices and marketing—to local cultural preferences and language requirements, ensuring the brand resonates. For instance, food franchises like McDonald's in India adapt menus to local dietary and religious needs. Studies show franchises can lose 8-13% of customers if content isn't in their local language [48].

Professional translation and localization of documents are essential for effective communication and maintaining successful international partnerships. Developing adapted operating systems is crucial for brand consistency, accommodating local rules, cultural practices, and consumer preferences. Franchisors should provide clear brand instructions, culturally appropriate manuals, and training programs, alongside regular audits and franchisee feedback to ensure compliance. For example, Taco Bell offers 400 hours of workplace training, plus continuous marketing and SEO support, fostering brand consistency [73].

For successful international franchising, identifying the ideal franchisee profile is critical. This includes reliability, brand passion, local market and cultural understanding, retail experience, growth orientation, financial capacity, and strong business acumen. Attracting suitable partners demands a multifaceted approach combining inbound and outbound strategies. Building and maintaining strong relationships between franchisor and franchisee, based on open communication, mutual respect, and shared goals, is key to long-term success in the international franchising network.

International franchising expansion is a long-term enterprise that requires patience, perseverance, and a willingness to invest resources for several years before seeing significant results. Success in international franchising depends on balancing the brand's core values with adapting to local market conditions. Careful planning, thoughtful localization, and strong partnerships are key to achieving global success.

A well-structured, step-by-step approach helps businesses navigate the complexity of entering foreign markets. The table below outlines the main stages of international franchise expansion:

Table 3.1.

Stages of International Franchise Expansion

No.	**Stage**	**Key features**
1	Analysis of Readiness for International Expansion	Assessment of resources, strategy, competitive advantages of the brand.
2	Marketing Research of Target Markets	Analysis of politics, economics, legislation, culture.
3	Franchise Strategy Selection	Selection of franchise type: master franchise, single unit, etc.

Table 3.1. continued

4	Legal Preparation and Document Adaptation	Adaptation of FDD, agreements, and trademarks to local law.
5	Franchisee Search and Selection	Defining the ideal profile, screening, and selecting candidates.
6	Training and Know-How Transfer	Conducting training, transferring instructions, brand standards.
7	Launch of Pilot Units	Opening the first facilities to test the business model.
8	Network Scaling and Quality Control	Expanding presence, monitoring standards, and supporting partners.

Compiled by the author.

Following these stages consistently helps ensure a smoother entry into international markets, strengthens the franchise network, and contributes to long-term brand sustainability abroad.

3.2. International franchise management models

There are several main models of international franchising, each with its own characteristics, advantages and disadvantages.

Master franchising grants exclusive territorial rights to a master franchisee, who invests to open their own outlets and sell sub-franchises, managing local operations, training, and support. This model leverages local expertise for market entry, offering rapid growth and shared risk, but involves some loss of control and revenue sharing. A prime example is Starbucks' cooperation with Alshaya Group, operating around 2,000 Starbucks coffee shops in 13 Middle Eastern countries, effectively adapting to local conditions through Alshaya's expertise [34].

Regional franchising a is ideal for large markets, dividing a country into regions, each managed as a separate master franchise. This model decentralizes responsibility, enabling more focused development and support. Philippine Seven Corporation (7-Eleven) effectively uses this to manage its 3,768 stores, with 1,791 franchised units [42].

To optimize logistics and support franchisees, PSC has established regional distribution centers in key locations such as Caloocan, Cebu, Davao, Laguna, and San Fernando. These centers ensure timely delivery of products and support operations in their respective regions, contributing to the efficient operation of the network [39].

Direct international franchising involves the franchisor directly managing the franchisee, providing full control and direct income, but it's resource-intensive. Most effective in culturally/legally similar markets or for limited initial entry, it demands significant expertise. For instance, in 2024, Gong Cha launched its direct franchising model in the US, opening initial locations and planning 30 in Puerto Rico via an agreement with SID Tea LLC, allowing direct management and swift adaptation [46].

Territory development franchising grants a franchisee rights to open multiple locations in a defined area over time, each under a separate agreement. This model offers economies of scale and broad market coverage, requiring significant franchisee investment but allowing franchisors rapid expansion with lower support costs. Guillermo Perales' Sun Holdings exemplifies this, operating over 1,740 locations across 12 states by 2025 by strategically opening units in specific regions, scaling effectively while maintaining quality control [37].

Joint venture franchising involves a franchisor partnering with a local operator to form a new legal entity with shared ownership and control. This collaborative model facilitates international expansion by sharing ownership, control, resources, and risks. Joint ventures are particularly beneficial for navigating complex regulations and leveraging local expertise, despite potentially higher investment and profit sharing. For example, Hilton and Marriott actively use joint ventures in Asia, allowing them to tailor strategies to regional markets; Hilton expects to operate over 1,000 hotels in Asia Pacific by late 2024, with plans for 2,000 by 2028 [36]. Marriott, with its network of more than 9,300 hotels worldwide, is also actively expanding its presence in Asia, including through partnerships with local companies such as Alibaba in China [54]. These joint ventures enable rapid scaling by leveraging local knowledge for regulatory and cultural adaptation.

Conversion franchising involves integrating existing independent businesses into a franchise network through rebranding and agreement, allowing rapid market entry via existing infrastructure and customer base.

For a visual comparison of these international franchising models, please refer to the following table:

Table 3.2.

Comparative analysis of the main models of international franchising

Model	**Key Features**	**Advantages**	**Disadvantages**
Master Franchising	The franchisor grants the rights to develop the territory to a master franchisee, who can then create his own outlets and sell sub-franchises.	Rapid market penetration, use of local expertise and capital, lower initial costs for the franchisor.	Reduced franchisor control, royalty distribution, dependence on master franchisee performance.
Regional Franchising	The country is divided into regions, each of which is managed by a regional master franchisee, who develops sub-franchises within his region.	Better management and support in large territories, more localized approach.	Potential difficulty in coordinating across regions, royalty distribution.
Direct Franchising	The franchisor directly grants franchises to individual entrepreneurs in the foreign country and supports them.	High level of control for the franchisor, direct flow of royalties and payments.	Requires significant franchisor resources to support, better suited to similar markets.
Territorial Development Franchising	The franchisee receives the right and obligation to open a certain number of outlets in a specified territory within a set time.	Rapid expansion of the network within a specific territory, potentially lower support costs for the franchisor.	Requires significant financial capacity from franchisee, more difficult to find qualified territory developers.
Joint Venture	The franchisor and the local partner jointly own and operate the business in the foreign market.	Use of local knowledge and resources of the partner, sharing of risks and investments, potentially better understanding of the local market and regulations.	Requires significant capital investment from franchisor, profit sharing, potential disagreements between partners.

Compiled by the author.

So, international franchising offers different models for adapting to new markets. Master franchising facilitates rapid scaling with local expertise but involves sharing control. Regional franchising effectively manages large territories. Direct franchising provides a high level of control but requires significant resources. Joint ventures are useful for complex regulatory environments. Companies such as Starbucks and Hilton have successfully used these models for international expansion, which requires a clear strategy, franchisee support, and adaptation to local characteristics.

3.3. Prospects for the development of international franchising in Ukraine

The franchising market in Ukraine grew steadily until 2022, but since 2024 there has been a noticeable slowdown and reduction in the launch of new businesses. In 2023, about 7,500 franchise facilities were opened, while in 2024 – only 1,500, which indicates a fivefold decrease [62]. Franchise Group confirms a decline in business activity but forecasts a gradual market recovery, with franchisors expected to increase by 10% in 2024. As of 2023, Ukraine had 500-600 franchise companies operating over 31,500 facilities. Despite military risks, franchise networks show high resilience, with 57% maintaining all facilities [10]. This indicates the franchise model's effectiveness, driven by brand recognition and franchisee support. To adapt to difficult conditions, franchisors are offering more flexible terms, including reduced payments. Ukrainian franchisors increasingly implement digital solutions like CRM, ERP, LMS, chatbots, and mobile apps for improved management, training, and customer experience. The MOST FMS platform, for instance, integrates LMS, HRM, and LXP for automated training, remote monitoring, and analytics. Currently, 15.2% of Ukrainian enterprises use ERP systems, but only 5.2% utilize artificial intelligence [18].

About 30% of Ukrainian franchises successfully compete globally, offering partners comprehensive support including local marketing, accounting, logistics, training, and personal management. Public catering, retail, delivery, medicine, children's services, and small shops show the greatest interest. Notable examples include Doner Market with 170 points across Ukraine and Lviv Croissants with 160 bakeries, 11 of which are in Poland [27].

During crises, the cognitive capital of a franchise—brand recognition, franchisor knowledge/experience, and partner support—becomes increasingly vital. Simplified franchise formats and social entrepreneurship are also developing. For instance, the "Mama, nu kupy" vending machine network has opened 87 points in Ukraine and is expanding into Poland, Austria, Romania, and Italy [16].

Public catering is a highly developed sector, featuring cafe, restaurant, and coffee shop chains like McDonald's, KFC (international), and Pizza Celentano, Lviv Croissants, Aroma Kava (Ukrainian); delivery formats are growing. Retail includes supermarkets, clothing, and appliances, with brands like SPAR (international) and Nash Kray, Rozetka, Dnipro-M (Ukrainian); small grocery stores and online shopping are gaining popularity [9].

The service sector includes medical, educational, logistics and financial franchises. Examples: Nova Poshta, G.Bar, Helen Doron English, DILA Medical Laboratories. Online services are actively developing [2].

IT, biotechnology, pharmaceutical, and social franchise sectors are also developing, with international growth potential. Franchising relations in Ukraine are primarily governed by the Civil Code (Chapter 76 "Commercial Concession") and Economic Code (Chapter 36 "Commercial Concession"), which stipulate the transfer of intellectual property, commercial experience, and reputation rights for a fee [22].

Parties to a commercial concession agreement (franchising) in Ukraine can be individuals and legal entities engaged in entrepreneurial activity; the agreement must be in writing. Key legal principles include contractual freedom, party equality, proper performance, and IP protection. Additional regulation comes from competition and trademark laws, plus international agreements. While no separate franchising law exists, the current framework is deemed sufficient, though experts suggest improvements [23].

Despite the challenges of the war, the Ukrainian franchise market remains attractive to international brands. The growing interest of entrepreneurs in ready-made business models, support from franchisors and training make this model particularly relevant. Many chains continue to develop, adapting to new conditions and offering franchisees flexible financial conditions.

Ukraine ranks 1st in Eastern Europe and 2nd in Europe (after the UK) in terms of the number of franchise brands (data for 2020), which indicates a developed franchising culture and significant market potential [23].

Entering the Ukrainian market, international franchisors face a number of challenges. Among the main risks are economic and political instability, in particular due to war, currency volatility, inflation and changes in legislation. The lack of regulation of franchising at the legislative level complicates relations with franchisees. Adaptation of the business model is complicated by cultural and language differences. The war creates additional logistical and operational barriers — supply disruptions, transport difficulties, instability of energy supply.

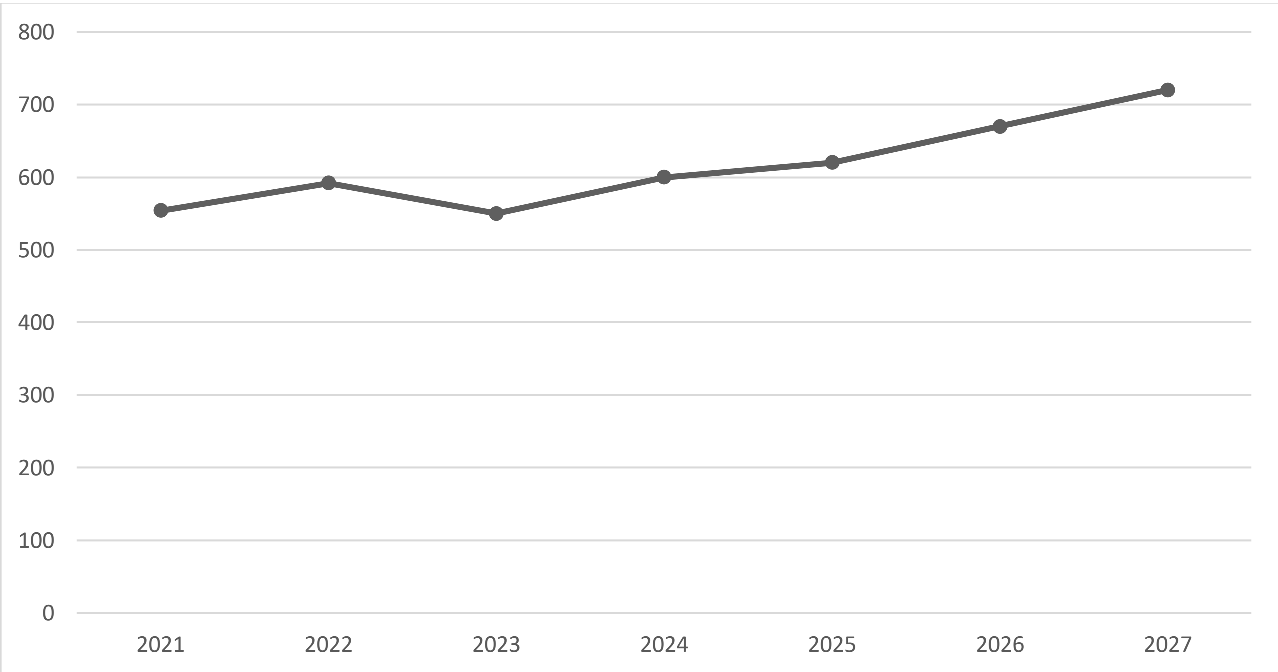

Fig. 3.1. **Dynamics and forecast of the number of franchisors in Ukraine (2021-2027)**

Compiled by the author based on [29].

This graph reflects the dynamics of the number of franchisor companies in Ukraine from 2021 to 2027. After growth in 2021–2022, which is associated with active market development, in 2023 there is a slight decline due to economic challenges, in particular war, mobilization and problems with energy supply. However, stable growth begins from 2024, which is associated with the gradual recovery of the economy, an improvement in the investment climate and increased consumer demand. Also important is the increased interest in franchising as an effective business model that allows for rapid scaling with lower risks, support from the state and international partners, as well as active digitalization of businesses and the implementation of new business models.

Despite the existing risks, numerous international franchises are successfully operating in Ukraine, demonstrating the potential of this market.

The international chain of pizzerias Domino's Pizza has been successfully operating in Ukraine since 2010, offering a quality product and an efficient delivery system [8].

In the retail sector, the SPAR supermarket chain can be noted, which is actively developing a franchise network in Ukraine.

An example of a successful international franchise in the service sector is the world-famous network of English language learning centers for children Helen Doron English, which successfully uses the franchise model for international development, including Ukraine [20].

These examples demonstrate that with the clear approach and adaptation to local conditions, international franchises can achieve significant success in the Ukrainian market.

The prospects for international franchising in Ukraine are challenging yet encouraging. While war has caused instability and investor caution, the market shows resilience, with many chains adapting through flexible models. A gradual recovery is anticipated from 2024, driven by digitalization, automation, omnichannel development, the growth of Ukrainian franchises, and strong interest in catering, retail, and services. Despite no specific law, the current legal framework is sufficient. Successful cases confirm effective market entry with adapted business models and management. In the medium-to-long term, post-stabilization, the market is expected to revive, urging international companies to prepare by adapting models and forging reliable partnerships.

CONCLUSION

In the current conditions of globalization and increased competition in international markets, international franchising acts as an effective and promising tool for expanding business and ensuring its sustainable development. The conducted research allowed for a deep analysis of the theoretical foundations, practical aspects, as well as prospects and challenges facing international franchising, especially in the context of Ukraine.

The first chapter examined the theoretical foundations of franchising, its essence, main types and forms. It was determined that franchising is a flexible system of business relations, under which one party (franchisor) grants the other party (franchisee) the right to use its business model, trademark, technology and know-how for a certain fee. Special attention was paid to international franchising, which is characterized by a more complex structure and a greater number of variables related to the cultural, legal, economic and political characteristics of different countries. It was found that the main advantages of international franchising are rapid and relatively inexpensive market expansion, reduced risks for the franchisor, use of local knowledge and resources of the franchisee, as well as ensuring high brand recognition. At the same time, there are also significant disadvantages, such as loss of control over the franchisee, the need to adapt the business model to local conditions, difficulties in managing an international network and legal risks.

The second chapter was devoted to the analysis of international franchising as a business expansion strategy. Examples of successful international franchises were considered, demonstrating the diversity of industries and models in which franchising achieves significant results. These cases emphasize the importance of careful market analysis, adaptation of the product and services to local needs, as well as effective management and support of the franchisee. Key factors for the success of international franchising were identified, including a strong brand, an effective business model, high-quality support and training of the franchisee, as well as the presence of a clear strategy for entering international markets. The risks and constraints associated with international franchising were also analyzed, including financial risks, operational risks, reputational risks, and risks related to legal and cultural differences. Successfully overcoming these risks requires the franchisor to have a deep understanding of the international business environment and the ability to be flexible and adaptable.

The third chapter examines strategies for implementing international franchising, with a special focus on the Ukrainian market. The main stages of entering the international market are described, which include market research, choosing the optimal exit strategy (direct franchising, master franchising, joint venture, etc.), developing a franchise package, legalizing relations, and further support for franchisees. Various models of international franchise management are analyzed, each of which has its own advantages and disadvantages, and the choice of which depends on the specifics of the business, the goals of the franchisor, and the characteristics of the target market.

A special place in the study was occupied by an assessment of the prospects for the development of international franchising in Ukraine. Despite the difficult economic and political situation caused by the full-scale war, the Ukrainian market retains significant potential for the development of franchising. The war certainly slowed down growth and increased the level of caution among investors. However, the market is showing resilience - many chains continue to operate, adapting to new conditions through flexible cooperation models. A gradual recovery of growth is expected from 2024. Key trends include digitalization, automation, the growth of Ukrainian franchises, and interest in the catering, retail, and services sectors. Despite the lack of a specific law, the current legislative framework allows for the regulation of the main aspects of franchising.

Successful examples of existing international franchises in Ukraine, such as McDonald's, KFC, Domino's Pizza, Zara, and others, prove that with business model adaptation, thorough market analysis, and effective management, entering the Ukrainian market can be effective. These companies were able to not only survive the crisis, but also continue to develop, demonstrating flexibility and the ability to adapt to changing conditions.

In the medium and long term, after the situation stabilizes, the market is expected to revive and interest in franchising to grow. International companies that prepare their models in advance, adapt them to Ukrainian realities, and build reliable partnerships will have significant competitive advantages. An important aspect for successful development will be understanding the cultural characteristics of the Ukrainian consumer and labor market, as well as readiness to cooperate with local partners. In summary, international franchising is a powerful tool for global business expansion. Its success depends on comprehensive preparation, a deep understanding of the characteristics of target markets, and the ability to constantly adapt. For Ukraine, despite the current challenges, international franchising opens up significant opportunities for attracting investment, developing entrepreneurship, creating new jobs, and integrating into the global economic system. Further development and support of a favorable investment climate, as well as possible improvement of the legislative framework, will contribute to the full disclosure of the potential of international franchising in Ukraine.

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