**Franchise - definition**  
A franchise (or franchising) is a method of distributing products or services involving a franchisor, who establishes the brand’s trademark or trade name and a business system, and a franchisee, who pays a royalty and often an initial fee for the right to do business under the franchisor's name and system.

* an authorization granted by a government or company to an individual or group enabling them to carry out specified commercial activities, for example acting as an agent for a company's products.

**Types of franchises**

1. Commodity - The product distribution franchise meaning is also often referred to as traditional franchising through which a product manufacturer (the franchisor) enters into an agreement with a distributor (the franchisee) in order to enable the franchisee to sell the franchisor’s products. This form of franchising gives the franchisee the right to use the franchisor’s logo and trade name but it limits them in terms of receiving training and support as well as marketing assistance. Many product distribution franchise examples can be exemplified by companies such as Coca-Cola, Ford Motor Company and John Deere.
2. Manufacturing- Through manufacturing franchises, a franchiser grants a manufacturer the right to produce and sell goods using its name and trademark. This type of franchise is common among food and beverage companies. For example, soft drink bottlers often obtain franchise rights from soft drink companies to produce, bottle, and distribute soft drinks. The major soft drink companies also sell the supplies to the regional manufacturing franchises. In the case of Coca Cola, for example, Coca Cola sells the syrup concentrate to a bottling company, who mixes these ingredients with water and bottles the product, and sells it on.
3. Business - Business franchising is the most popular method of franchising. In this case, the franchisor sells the license to individuals or other companies.

In business franchising, the franchisor simply grants the franchisee the right to sell goods, and a full-fledged business concept, including interior design of the company, staff training, requirements for employee uniforms, as well as advertising and marketing concepts.

Advantages:

* Recognizable brand and support
* Standardization
* Best purchasing conditions

Disadvantages:

* High start-up costs
* Restrictions on freedom of action
* Dependence on the reputation of the franchisor

1. Conversive - Conversion franchising is a strategic approach where existing businesses integrate into a franchise model. Unlike traditional franchises, conversion franchises involve established businesses transitioning into a franchised structure. This can be initiated by businesses seeking to franchise their successful operations or by larger enterprises deciding to adopt a franchise framework. The primary advantage lies in the accelerated expansion, leveraging the existing community presence and profitability of the converting business. However, challenges may arise during negotiations, as small business owners may be reluctant to pay fees and royalties, and entrepreneurs might hesitate to sacrifice the independence and flexibility of their operations. Industries like real estate, travel agencies, handyman services, and hotel chains are often conducive to conversion franchising. An illustrative example could be a well-established auto garage deciding to convert into a franchise under a recognized brand, benefiting both the franchisor and the business owners.
2. Corporate
   1. Corporate franchise means the right or privilege granted by the state or government to the Person forming a corporation, and their successors, to exist and do business as a corporation and to exercise the rights and powers incidental to that form of organization or necessarily implied in the grant.
   2. modern form of organization of franchise business with which franchisee operates with not an individual enterprise but with a network of franchised enterprises using hired managers.

**Successful franchises in Ukraine:**

1. **BOBO Bar Bubble Tea** – Bobo tea franchise

Investments: UAH 150,000. — 330,000 hryvnias.

Fee: 5% after 7th month

Deductions: none

Payback: from 6 to 12 months.

Objects in the network: 7

Regions of development: Ukraine

1. **BURGERS BUFFET**- Kharkiv pizza franchise
   * Number of franchisees - 19 in Kharkiv
   * Year of start of franchising program - 2010
   * Fees and costs
     1. Cost – 150k – 300k ₴
     2. Incoming pay – 30k – 50k ₴
   * Requirements
     1. Square 50 – 150
     2. Two exits
     3. Near to subway station
     4. Much people near “BUFFET”
     5. Staff 4 – 8
   * Conditions
     1. City have to have more than 100k of citizen
   * Payback and profitability
     1. 13 – 18 month
2. **KFC:**
   * Number of franchisees - 27 760 in the world 51of them in Ukraine
   * Year of start of franchising program - 1952
   * Fees and costs
     1. Cost – 700k $
     2. Incoming pay – 47k $
     3. Royalty 6%
   * Requirements
     1. Not found
   * Conditions
     1. Experience in finance
     2. Experience of management
     3. Experience of marketing
     4. Trust
   * Payback and profitability
     1. 36 month