

# The Main Franchisability Factors for Businesses in Brazil

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## Abstract

Franchising is a system of business expansion that is currently practiced in numerous markets. This system, based on the exchange of experiences and strengths between participants to generate competitive advantage, works with trends and styles in tune with the context of a highly globalized, dynamic and interdependent society. The franchising expansion model holds certain specificities and requirements to ensure the success of its operations, meaning it is not a viable option for every company – especially small-to-medium businesses. Therefore, research was done to determine the determinants of franchisability of Brazilian small-to-medium companies and their respective relevances, in order to determine which factors have a real relevance in determining the franchisability of a company, and within these factors, which ones are more relevant. Documentary research was done to raise the factors in the literature, as well as multiple case studies to determine the relative relevance between factors and a triangulation with company websites and experts to validate the results. It was concluded that the two factors that have more relevance in the franchise of a company are the business model and the market and the product. On a second level, presenting lesser relevance to the previously mentioned factors, are the branding power, profitability and availability of support for the franchisee. Finally, it was determined that the factors with the least relevance are replicability and standardization, competitive advantages, relationship bilaterality, contractual status and compliance, and corporate culture. Based on the results of this research, entrepreneurs can use the suggestions as an aid in their decision to opt for franchising as a method of business expansion, in addition to analyzing the feasibility of a franchise operation.

**Keywords:** Franchising; Franchisability; Expansion by franchising; Franchises.

## 1 . Introduction

*Franchising*, or the franchise system, is one of the currently practiced business expansion systems. This system, which is based on the exchange of experiences and forces between participants to generate competitive advantage, works with trends and styles that support the current context of a highly globalized, dynamic and interdependent society.

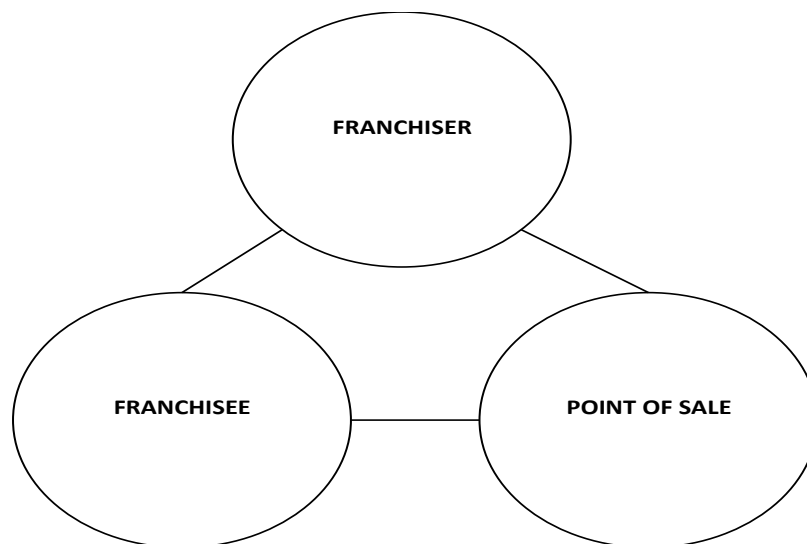
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Author [1], in its 2021 *Brazilian Franchising Performance Report*, states that the Brazilian franchise sector earned about 185 billion BRL in 2021 – an increase of 10.7% in 2020 and 6% in 2019. There was only a fall in revenue in 2020 due to the covid-19 pandemic. In addition, the report points out that 40% of Brazilian municipalities contain franchises, that is, almost half of the national territory is covered by the franchise system, and within these municipalities, more than 1.5 million jobs are generated by the system - an increase of 3.9% from 2019 and 12.1% from 2020. Author [2], in its 2022 report, said that in 2021, \$826 billion USD was moved by the franchise sector in the United States through 774,965 store units, generating about 8 million new jobs. From what can be observed, *franchising* is an extremely profitable and highly contributing model to the world economy – especially for Brazil [2]. Brazil has served as an incubator for several successful national and international franchises, including McDonald's, Subway, China In Box, O Boticário and Chilli Beans. The franchising system is successful - after all, it results from the combination of a consolidated brand of the franchisor with the local expertise and the capital of the franchisee. However, not every franchise operation works naturally. As in the case of Arby's, KFC, Livraria Siciliano and Pakalolo, the expansion of the brand throughout the Brazilian territory from the franchise model failed [3]. In this sense, [4] asks: if not all brands succeed in expansion by the franchising, what are the necessary requirements to succeed in this operation? It is from this question that this work is developed, with the intention of contributing to two distinct target audiences: the franchisor, who needs information to assist in the decision to franchise their brand to third parties or not; and the franchisee, who needs a form of cohesive and concise analysis to identify the risk and success rate of the investment in the franchise in question. The existence of different individual models of each author on the franchisability of companies and brands, in addition to the absence of a concise model that can address the current knowledge on the subject, are the main factors that support the elaboration of this dissertation. Considering the context raised earlier, it is observed that *franchising* is an expansion system that can be very profitable; however, it was not developed for all businesses. The success of a franchise operation is determined by several factors, as pointed out by [5,4,6,7]. For example, Reference [5] propose main criteria for a franchisability assessment, with its main elements being the company, the business, differentials/management model, expandability and risks. Reference [6] use a similar but more holistic system, adopting as main elements the brand and image in the market, *product mix* and exclusivity of brands or products, market potential and competition, a financial model and sources of finance, *business know-how*, potential to copy the business, barriers to exit from the business and current structure and investment capacity of the company. Small and medium-sized enterprises (SMEs) are powerful vectors of economic development for Brazil, making up about 27% of Brazil's gross domestic product, 52% of jobs in a signed portfolio and 40% of wages. With about 8.9 million micro and small companies in Brazil in 2016, it is perceived that this category of companies has a high relevance in our market, and with its growth over the years, it is important to highlight the economic development that is possible with the growth of this category. As one of the most complicated factors for the growth of SMEs is the acquisition of capital goods, franchising can be a viable solution to develop this growth. However, as the context of SMEs is more restrictive than large enterprises, SMEs need to face franchisability differently [8]. In addition to this context, the research question of this article is: What are the most relevant factors to be considered in the evaluation of the franchisability of Brazilian SMEs?

## 2. Theoretical Framework

For the purposes of this work, franchisability is defined as the compatibility of a company with the franchising system. There is a wide variety of academic and marketing theories and concepts about this degree of compatibility - many of them plicated to specific markets and industries - but one can observe some points in common, which generate the core of the issue. Reference [9] discuss that several reviews on franchising literature have been published, but they do not consider nor emphasize the growing strength of emerging and developing markets in franchising. Even with their contributions, their fail to show fundamental developments in the global scenario leading to new franchising configurations. Factors like cross-border integrations, global trade and China's rise as a world power have all affected possibilities for franchising in developing markets. Reference [10] through their extensive bibliographic research, discuss that partnerships are essential to the fruitful development of effective franchises, and that there is a strong presence of criteria in their research that refer to the quality of the franchisee management team, their marketing skills, their financial skills, and their local market knowledge as key components for the franchisor to have as components to success. Reference [11] describe that knowledge management, which is the act of safekeeping and transferring institutional knowledge, plays an essential role in the success of franchises. For the authors, knowledge transfer and innovation are key aspects of developing competitive advantages, and so, with franchising of business models, there is a key aspect of transferring knowledge from the franchisor to the franchisee, making knowledge management a key factor. Reference [7] defends a model with three critical factors for the implementation of a successful franchise, composed of the franchise, franchisee, and the commercial point, as observed in Figure 1.



**Figure 1:** franchising success factors; Source: [7].

The interdependence between the three factors is the essential of the author's concept, as they are the basis for a franchise to support itself and be able to function successfully. Regarding the franchise *factor*, Reference [7] refers to the business model being offered. If the model is not strong or lacks cohesion and coherence, there will be a lower chance of success. Reference [7] suggests that franchises already consolidated in the market offer less risk than new models. In relation to the *franchisee factor*, it refers to the entrepreneur, and at the

commercial point, if the location is adequate. In the *point of sale factor*, the author refers to the point of sale of the franchise itself - its location, architecture and positioning - and how its market and physical factors affect the progress of the operation. As illustrated in Table 1, Reference [6] work on franchisability based on eight factors. In this proposed model, there is no specific quantification to determine whether the company is able to be franchised or not. The decision remains under the franchisor, who must assess whether, looking at the whole, *franchising* seems to be a good option for your business.

**Table 1:** Franchisability Factors.

Factor	Concept
Brand and image in the market	<ul style="list-style-type: none"> <li>● Brand strength</li> <li>● Image quality</li> </ul>
Product mix and brand or product exclusivity	<ul style="list-style-type: none"> <li>● Positioning</li> <li>● Breadth and depth of product mix</li> </ul>
Market potential and competition	<ul style="list-style-type: none"> <li>● Market potential for the type of product being offered</li> <li>● Direct, indirect competition and substitute products</li> </ul>
Financial model and sources of income	<ul style="list-style-type: none"> <li>● Profit margins</li> <li>● Average operating expenses</li> <li>● Location of the point of business</li> <li>● Flexibility of the unit mix</li> </ul>
<i>Business</i> know-how	<ul style="list-style-type: none"> <li>● Business management and operation processes</li> <li>● Possibility of standardization and replication with a franchising model</li> </ul>
Business copy potential	<ul style="list-style-type: none"> <li>● Is the business easy to imitate?</li> </ul>
Business exit barriers	<ul style="list-style-type: none"> <li>● Which may prevent the franchisee from deciding to leave the franchised network                             <ul style="list-style-type: none"> <li>○ Brand strength</li> <li>○ Exclusivity or product innovation</li> <li>○ Profitability and/or profitability</li> <li>○ Conditions of purchase</li> <li>○ Support</li> <li>○ Franchisor-franchisee relationship</li> </ul> </li> </ul>
Current structure and investment capacity of the company	<ul style="list-style-type: none"> <li>● Ability of the company to become an administrator of a network of units</li> <li>● Capital availability for the operation</li> </ul>

Source: [6]

To arrive at this decision, the manager will have to measure the strength of each item scored, because "the more solid these elements are in the business under evaluation, the greater the chances of successfully franchising it" [6]. However, in a position with [7], who points out three critical factors for the success of a franchising operation, Reference [6] point out several essential factors and exemplify all its sub-items. While [7] works a more holistic view on the operation of the business, Reference [6] work with a checklist system, focused much more on the details of each part of the business than the vision. Reference [5] works a concept like that of [6], working factors and subfactors. However, unlike these authors, Reference [5] specifies how the franchising

assessment should be made. For the author, the conclusion of the company's Franchising Analysis should be a weighting on each of the criteria, indicating the strengths and main challenges of the company; a clear definition of points where improvement is possible before the start of the franchising operation; the definition of an action plan to adjust the points where deficiencies were found in the existing model, and a definition of the critical success factors for the Franchise model [6]. Therefore, one should work the analysis of franchisability with the strengths and weaknesses of each factor and subfactor, and determine the weighting based on each company. The factors and subfactors raised by the author are:

1. Enterprise
  - a. Culture and Experience
  - b. Company Image
2. Business
  - a. Business Model
  - b. Products and Services
  - c. Competition
  - d. Financial Viability
  - e. Accessibility
3. Differentials and Management Model
  - a. Standards and Systems
  - b. *Know-how*
4. Expandability
  - a. Growth Potential
5. Risks
  - a. Business Risks
  - b. Exit Barriers
  - c. Risks to the Company

In another perspective of franchisability, there are authors who suggest that the decision to franchise a company arises from agency problems and high monitoring costs. Reference [12] advocates a theory in which, if the franchisee (or in this case, the POS operator) has the incentive to share the profits with the franchisor rather than working on a fixed salary, the company will have less expense in monitoring operations and agency conflicts. In addition, Reference [12] describes that points of sale closer to the company's headquarter and with high rates of new consumers (i.e., a low rate of consumer recidivism) are likely to be operated by the franchisor for the low cost of monitoring. On the other hand, operations farther from the company's headquarter or with high rates of consumer recidivism are likely to be operated by franchisees because monitoring costs are higher. Reference [13] brings this theory to the Brazilian market in his doctoral thesis and concludes that the distance and geographical dispersion of the units of a company are determining factors for the franchisability of a business, because the costs of monitoring and control are higher. Therefore, geographic dispersion should be considered as an important factor for a company's franchisee index because of monitoring and control costs. In summary, it is perceived that there are a variety of complementary theories in relation to franchising and franchisability. Clearly there are conceptual divergences between authors, as for example, for [7], there are only 5 generations

of franchises, while [6] postulate the idea of 6 generations; however, in a holistic view, it is perceived that the authors reach some points in common, which will be used in the next section of this work. The common points are:

- Franchises are based on a mutual benefit relationship between the franchisor and the franchisee [7, 6, 19].
- The probability of a franchise operation succeeding depends on the model offered by the franchisor, the management capacity of the franchisee, and microenvironmental factors of the operation, as a point of sale, among others [7, 6, 5, 12, 13].
- Synergy between all stakeholders of the franchising operation is essential for its good development, and agency conflicts are the basis for a poor development of the operation [25, 14, 6, 5, 15, 16].

In view of all the information raised in these topics and with the common points found among the authors, it is determined as factors of franchising, for the purposes of this work, in Table 2:

**Table 2:** franchising factors.

Factor	Metrics	Authors
1. Business Model	<ul style="list-style-type: none"> <li>• Does the business model offered by the franchisor contain all the instructions and materials necessary for the franchisee to follow through with the operation?</li> <li>• Is the value perceived by the possible franchisee of the business model positive?</li> <li>• Does the business model include an expansion of sales channels by third parties?</li> </ul>	[6, 5, 7, 25]
2. Market and Product	<ul style="list-style-type: none"> <li>• Does the market have a positive acceptance of the product offered?</li> <li>• Is the product susceptible to seasonality?</li> <li>• Is the product susceptible to regional consumption habits?</li> </ul>	[6, 5, 16, 14]
3. Availability of Support for the Franchisee	<ul style="list-style-type: none"> <li>• Does the franchisor provide communication and support channels with franchisees?</li> <li>• Does the franchisor offer training and support to the franchisee periodically?</li> <li>• Can the franchisee help directly with the franchisor with ease?</li> </ul>	[6, 5, 16]
4. Replicability and Standardization	<ul style="list-style-type: none"> <li>• Can the business model be easily replicated and standardized by a franchisee?</li> <li>• Can the franchisee offer the same level of quality as the franchisor?</li> </ul>	[5]
5. Competitive Advantages	<ul style="list-style-type: none"> <li>• Does the business model have adequate competitive advantages to maintain health and longevity?</li> <li>• Does the business model have entry and exit barriers for competitors?</li> </ul>	[6, 5, 25]
6. Brand Power	<ul style="list-style-type: none"> <li>• Is the brand easily recognized?</li> </ul>	[6, 5, 14]

	<ul style="list-style-type: none"> <li>• Is brand positioning appropriate?</li> <li>• Does the brand have a positive share of mind?</li> </ul>	
7. Profitability	<ul style="list-style-type: none"> <li>• Is the payback offered by the business model appropriate with the initial investment value?</li> <li>• Is the expected return of the operation attractive to a potential franchisee?</li> </ul>	[6, 5]
8. Relationship Bilaterality	<ul style="list-style-type: none"> <li>• Is the franchisor willing to evolve its business model based on feedback from the franchisee?</li> <li>• Is the franchisor willing to have a good relationship with his franchisees?</li> </ul>	[7, 16, 25]

Source: Prepared by the authors (2018).

### 3. Methodology

In general terms, the research of this work is exploratory because it aims to raise the main factors of franchisability for companies and their relative relevances. Table 3 summarizes the methodology used in the research:

**Table 3:** Summary of the Methodology Used in Research.

Criteria	Step 1 Bibliographic Review	Step 2 Elaboration of Factors	Step 3 Multiple-case study	Step 4 Triangulation with company websites	Step 5 Triangulation with experts
Kind	Exploratory				
Nature and Approach	Theoretical, qualitative	Applied, qualitative	Applied, qualitative	Applied, qualitative	Applied, qualitative
Method	Bibliographic research	Case study	Case study	Documentary research	Case study
Sample	N/A	N/A	1 manager and 1 franchisee of 6 companies from 3 different sectors	Companies' websites	3 specialists in franchises
Data Collection	Books, magazines and publications	Data from Step 1 entities	Interviews	Sites	Interviews
Goal	To raise the main franchising factors present in the literature.		Validate the factors found through a multiple case study and identify the degree of relevance among the factors raised.	Triangular and validate the relevance attributed por through companies' websites and with specialists in the area of franchisability.	

Source: prepared by the authors (2018).

### **3.1.1. Stage 1 - Bibliographic Survey**

The first stage of the research can be considered, in terms of typology, as exploratory research. Regarding the research approach, this stage is qualitative. Because, at this stage, the main objects of study are concepts and their natures and their approaches are inevitably characterized as qualitative. Moreover, the object of study is not numbers or quantity, but rather quality and weight of concepts. To achieve the objective of this stage, the bibliographic research method was used, because the concepts and approaches of franchising and franchisability have to be extracted from the literature to act as a starting point for the study. The content of this stage was completed in the theoretical framework of this work, which also acts as the first stage of the work research method. In terms of sampling, since this stage is an exploratory study with the objective of generalizing the concepts of franchising and franchisability, there is no formal sample. In data collection, secondary sources were used for bibliographic study. Articles, books and academic journals on the subject were used to construct the theoretical framework of the research. According to [17], literature (in this case, secondary data) serves as a cohesive basis for verifying statements and observations about the object of study.

### **3.1.2. Step 2 - Elaboration of Factors**

After the identification of the franchisability factors, made in the previous stage, this stage aims to build a condensed group with the factors most cited in the literature, in order to create a bridge between the different authors and their respective points of view. Therefore, its nature is applied and its approach is qualitative, because this stage eminently works with the qualification of the factors found in the previous stage.

### **3.1.3. Step 3 - Multiple Case Study**

The third stage of this method consists of an explanatory research, implemented by the multiple case study method, where the factors raised and created in Steps 1 and 2 were analyzed by professionals working in the franchise market. The categorization of explanatory research makes sense for this stage because it aims to explain the reasoning of the successes and failures of franchising operations studied in the previous stage. It acts as validation of the insights provided by the previous step, as well as an opportunity to generate new *insights* for the research. Therefore, the characterization of explanatory research is the best option for this stage [18]. For this stage, the case study was a multiple case study on an integrated perspective, because in addition to validating the insights with different organizations, it was necessary to validate the same insights for all organizations studied so that the weighting of each success/failure factor is validated. The data collection method used for this stage of the project was through individual and structured interviews, conducted in person or by telephone. In these interviews, the interviewees followed a pre-established script composed of two stages: the first with open questions and the second with scaled questions. Respondents were notified that there would be no right or wrong answer, and that they could respond in the way they believed was correct. In the first stage of the interview, there were two stages: the introduction and the open questions. In the introduction part, the initial contact between the interviewer and the interviewee was made, and then the project and the research were



explained so that the interviewee would be contextualized. The purpose of the interview and the research were then explained, and the limits and details of the interview were also alerted, such as the confidentiality of the names. After the initial contact was made, the following open questions were asked:

1. What is your current position where you work?;
2. How much contact time do you have, in total, with the franchise system?;
3. Describe your history of operation with the franchise system;
4. In your opinion, what factors are paramount for a company to be franchisable?

Questions 1, 2 and 3 aim to create an overview of the interviewee, evidencing its validity and relevance to the research. The data that were extracted from these questions were merely to identify whether the interviewee could be considered as valid for this project. Question 4 has a very great relevance in the plot of the interview because it already begins the work of conceptualizing factors of franchisability, and proposes the pure view of the interviewee without the bias of the factors already collected. In this case, the collected data would be a validation of the relevance of the factors selected by steps 2 and 3, in addition to acting as a capture of important factors that may not be present in the created model. Asked the questions of the first part, the second part began, consisting of two scaled questions. In these questions, the interviewee would be exposed to the factors raised would have to evaluate them based on the scale in question. Both questions were simple, but the difference was in the scale used. In the first question, the scale used was that of Likert (1976). In this question, the interviewee had to evaluate each factor individually from an ordinal scale from 1 to 5 in relation to the importance of the factor in question in relation to the franchisability of a company. The values were presented as: 1 (irrelevant to franchisability), 2 (little relevance for franchisability), 3 (neutral relevance for franchisability), 4 (good relevance for franchisability) and 5 (indispensable for franchisability). In the second question, the scale used was ordinal, and in this case, the interviewee had to evaluate the factors among themselves and place them on an ordinal scale of importance and relevance for the franchisability of a company, with the value 1 being the most important and the 10 being the least important. The Likert Scale (1976) was used in the first question of the second part of the interview as a way of evaluating and validating the factors raised in literature. As this scale is a form of non-comparative evaluation, the interviewees were able to analyze the factors individually, without considering their participation before the set. The collected result has two functions: to determine the most important factors without relating them to each other and also to identify whether any factor should not be part of the group. Grades 5 would be important indicators for the factors, and grades 2 and 1 would be indicators that the factors would not have relevance within the group and therefore should not be considered franchisability factors. Consequently, if one of the factors present received an average score below 3 (neutral relevance for franchising), it would be disregarded from the final result of the research, as it would be evaluated as not relevant. The ordinal scale, which has a comparative nature, was used in the second question of the second stage precisely to highlight the importance and relevance of the factors among themselves. The data collected at this stage would serve as indicators of relevance ranking, since the interviewees would have to evaluate the factors among themselves. After the interviews were done, the data was compiled into a unified table. After compilation, the following analyses were performed:

1. Validation of the first part of the interviews: the interviews were analyzed to identify whether the

interviewee would have mentioned any factor not present in the current list, and the factors mentioned would be validated with those in the list;

2. Likert Scale Treatment:

- a. Sum of the points awarded for each factor;
- b. Average grade assigned for each factor;
- c. Weight of each factor in relation to the total sum;

3. Treatment of the Ordinal Scale:

- a. Average assigned place;
- b. Division of assigned averages into percentages;
- c. Weight of each factor in reaction to the division of the means assigned into percentages

4. Average Scales

In the end, an average of relevance was attributed to each factor in order to understand the real difference in relevance between each factor. This mean was also used to divide the factors into three groups: very high relevance, reserved for the most important factor; high relevance, reserved for factors that have a higher relevance than the average for the group, which is 12.5%; and neutral relevance, reserved for the que factors have a relevance below 12.5%.

#### ***3.1.4. Stage 4 - Triangulation with The Companies' Sites***

Following data collection and treatment of Step 3, Steps 4 and 5 consist of triangulations of the results obtained by Steps 1-3. In Step 4, the validation was made by analyzing the respective sites of each company surveyed. It was analyzed whether the factors elected as more important by the previous Stage are mentioned in the franchising portal of the companies in question. This would act as a validation of the importance and relevance of the factors raised. As a result, a documental survey was done to determine whether the factors were mentioned on the sites or not. The research roadmap was:

1. Access the company's official website;
2. Search for the franchise/franchisee portal;
3. Read the full portal and its sub-pages;
4. Identify whether any of the factors were mentioned in the page text. The keywords of the factors searched were:
  - a. Business Model: business, business, model, proposal;
  - b. Market and Product: market, product, quality;
  - c. Availability of Support for the Franchisee: support;
  - d. Replication and Standardization: processes, pattern, patterns;
  - e. Competitive Advantages: secrecy, success, strength;
  - f. Brand Power: brand, strength, quality, tradition;
  - g. Profitability: success, return;
  - h. Relationship bilaterality: support, together.

### 3.1.5. Step 5 - Triangulation with Specialists

For the last Stage of this research, interviews were conducted with three franchising specialists. These interviews aimed to validate the constructs made throughout the work and add another stage of triangulation of the results. The interviews followed a structured format and were conducted in person. The script of the interviews was composed of two open questions with similar content: the interviewees were presented to the factors in percentage format (question 1) and in order of importance format (question 2), and was asked to evaluate the results presented, that is, whether or not they agreed with the provision, and what changed and why.

## 4. Analysis of Results

**Table 4:** Step 3 Interview Scheme.

Branch	Company	Interviewee	Role
House and Construction	MMartan	Interviewee 1	Franchisor
		Interviewee 2	Franchisee
	Artex	Interviewee 3	Franchisor
		Interviewee 4	Franchisee
Fashion	Hope	Interviewee 5	Franchisor
		Interviewee 6	Franchisee
	Carmen Steffens	Interviewee 7	Franchisor
		Interviewee 8	Franchisee
Food Service	Capital Steak House	Interviewee 9	Franchisor
		Interviewee 10	Franchisee
	Domino's	Interviewee 11	Franchisor
		Interviewee 12	Franchisee

Source: Prepared by the authors (2018).

In the Stage, 2 interviewees from 6 different companies were selected to participate in the research, totaling 12 interviews in total. Two companies were selected from the three most expressive segments of the ABF performance report for the third trimester of 2017: Food Service, Fashion and Home and Construction. In each

company, a franchisee and a franchisor manager were interviewed, showing two complementary views about the company and the branch. Table 4 illustrates how the interviews were divided.

After finishing the interviews, the results obtained for both scales were:

**Table 5:** Summary of Likert Scale Results.

Factor	Sum of Points	Average Score	Relevance
Business Model	60	5,0	20%
Market and Product	55	4,58	13,4%
Franchisee Support Availability	50	4,17	9,8%
Replicability and Standardization	56	4,67	10,8%
Competitive Advantages	55	4,58	11,1%
Brand Power	55	4,58	13,4%
Profitability	51	4,25	12%
Relationship Bilaterality	52	4,33	9,5%

Source: prepared by the authors (2018).

Table 6 below summarizes the results obtained by applying the ordinal scale.

**Table 6:** Summary of Ordinal Scale Results.

Factor	Ordinal Average	1 / Ordinal Average	Relevance
Business Model	1,83	0,55	26.25%
Market and Product	3,42	0,29	14,08%
Franchisee Support Availability	5,92	0,17	8,13%
Replicability and Standardization	5,5	0,18	8,75%
Competitive Advantages	5,08	0,20	9,47%
Brand Power	3,42	0,29	14,08%
Profitability	3,92	0,26	12,29%
Relationship Bilaterality	6,92	0,14	6,96%

Source: prepared by the authors (2018).

Taking into account the weights suggested by both scales, an average was made between the two weights of each factor, resulting in the relevance suggested by Table 7:

**Table 7:** Relevance and Ranking of Franchisability Factors based on the Results of the Multiple Case Study.

Factor	Relevance	Ranking
Business Model	20%	1
Market and Product	13,4%	2
Franchisee Support Availability	9,8%	7
Replicability and Standardization	10,8%	6
Competitive Advantages	11,1%	5
Brand Power	13,4%	2
Profitability	12%	4
Relationship Bilaterality	9,5%	8

Source: prepared by the authors (2018).

These weights are illustrative only to numerically demonstrate the dimension of importance of each factor within this group. Therefore, the absolute value of each weight should not be considered in isolation, but rather its participation in the whole. From a more holistic perspective, one can conclude some things in view of the results obtained:

1. The "business model" factor is the one that has the most relevance to others.
2. The factors "brand power" and "market and product" have an equivalent relevance.
3. The factors "business model", "brand power" and "market and product" can be considered the most relevant in the process of franchisability.
4. The factors "business model", "brand power" and "market and product", together with the factor "profitability", contain more than half of the relevance within the sample, accounting for 58.8% of the total relevance. Therefore, the suggestions in Table 8 are completed in this step:

**Table 8:** Relevance of Factors After Multiple Case Study.

Factor	Relevance
<ul style="list-style-type: none"> <li>● Business Model</li> </ul>	Very High
<ul style="list-style-type: none"> <li>● Brand Power</li> <li>● Market and Product</li> <li>● Profitability</li> </ul>	High
<ul style="list-style-type: none"> <li>● Franchisee Support Availability</li> <li>● Replicability and Standardization</li> <li>● Competitive Advantages</li> <li>● Relationship Bilaterality</li> </ul>	Neutral

Source: prepared by the authors (2018). In relation to Step 4, about triangulation with the websites of the companies surveyed, the results obtained were summarized in Table 9.

**Table 9:** Franchisability factors mentioned on the websites of the companies interviewed.

Company	Mentioned Factors
Mmartan	N/A
Artex	<ul style="list-style-type: none"> <li>● Brand power</li> <li>● Business model</li> </ul>
Hope	<ul style="list-style-type: none"> <li>● Brand power</li> <li>● Business model</li> <li>● Availability of support for the franchisee</li> </ul>
Carmen Steffens	<ul style="list-style-type: none"> <li>● Brand power</li> <li>● Business model</li> <li>● Availability of support for the franchisee</li> </ul>
Capital Steak House	<ul style="list-style-type: none"> <li>● Brand power</li> <li>● Business model</li> <li>● Availability of support for the franchisee</li> </ul>
Domino's	<ul style="list-style-type: none"> <li>● Brand power</li> <li>● Business model</li> </ul>

Source: prepared by the authors (2018).

It is noticed that, in general, the factors considered as "very high" and "high" by Step 4 were found on the sites. It is also important to emphasize that the factor "profitability", which was considered as high relevance by Step 4, was not mentioned explicitly in the websites. This is probably because companies cannot generalize the profitability of all their franchisee operations and because it is a relatively confidential data. Therefore, this does not say that the factor "profitability" is diagnosed with an erroneous relevance - it is only a limitation of the chosen channel due to secrecy. In addition, something important that emerged at this stage was the recurrence of the factor "availability of support for the franchisee". Half of the sites highlight this factor as one of the key

factors for the imminent success of a new franchised operation of them, which may mean that this factor should have a high relevance. Therefore, as a contribution of this stage, the relevance of the factors are:

**Table 10:** Relevance of Factors After Consolidation of Steps 1-4.

Factor	Relevance
<ul style="list-style-type: none"> <li>● Business Model</li> </ul>	Very High
<ul style="list-style-type: none"> <li>● Brand Power</li> <li>● Market and Product</li> <li>● Profitability</li> <li>● Franchisee Support Availability</li> </ul>	High
<ul style="list-style-type: none"> <li>● Replicability and Standardization</li> <li>● Competitive Advantages</li> <li>● Relationship Bilaterality</li> </ul>	Neutral

Source: prepared by the authors (2018).

For the final stage of the research, three specialists were interviewed to evaluate the relevance table formed by Step 5. Each evaluated whether they agreed with what was being proposed and proposed considerations in relation to the proposed model. The unified result of this stage can be seen in Table 7.

From the results obtained at this stage, it is noticed that, in general, the three interviewees agreed with the general format of the suggestions. However, there have been some small suggestions, which should be taken into account:

1. Market and Product: this factor should be considered as very high importance, because if there is no demand for the product /service being offered or if there is no room for more operations in the market, then the company is not franchisable. According to Specialist B, "for a company to be franchisable, it is very important to have space in the market, and the product or service being offered is not a fad. The market has to need what is being sold, and preferably in the long run."
2. Corporate Culture: Experts B and C believe that the franchisor needs to have an entrepreneurial culture and be prepared to receive franchisees. "The manager's profile is extremely important for a franchising operation," says Interviewee C.

Therefore, considering the contributions provided by Step 5, it is suggested that the factor "market and product" be with the relevance "very high" rather than "high".

**Table 11:** Result of The Interviews of Step 5.

Specialist	Background	Agrees with propositions?	Considerations
A	Former manager of Mmartan, took care of all the formatting and expansion of <i>the franchising project</i> of Mmartan, in addition to formatting the support and financial of operations. Today he works on the board of Mmartan. He has about 14 years of experience with franchises.	Yes	<ul style="list-style-type: none"> <li>• Very high: business model, market and product, profitability</li> <li>• High: brand power, availability of support for the franchisee, replicability and patterning</li> <li>• Neutral: competitive advantages, bilateral relationship.</li> </ul>
B	Managing partner of a company specialized in the expansion in retail chains, franchises, <i>food service</i> and entertainment, operating throughout Brazil. He has more than 18 years of experience in franchises, and has worked in franchisors and as a franchise consultant.	Yes	<ul style="list-style-type: none"> <li>• Very high: business model, market and product</li> <li>• High: competitive advantages, brand power, profitability</li> <li>• Neutral: replicability and standardization, bilateral relationship, availability of support for the franchisee</li> </ul>
C	Director-General of a <i>franchising consulting group</i> . He has more than 32 years of experience with the creation and formatting of franchise operations.	Yes	<ul style="list-style-type: none"> <li>• Very high: business model, market and product</li> <li>• High: competitive advantages, brand power, profitability</li> <li>• Neutral: replicability and standardization, bilateral relationship, contractual status and compliance, availability of support for the franchisee</li> </ul>

Source: prepared by the authors (2018). Taking into account all the steps completed in this research, the suggested relevance to the franchisability factors are:

**Table 12**

Very High	High
<ul style="list-style-type: none"> <li>• Business Model</li> <li>• Market and Product</li> </ul>	<ul style="list-style-type: none"> <li>• Brand Power</li> <li>• Profitability</li> <li>• Franchisee Support Availability</li> </ul>
Neutral	
<ul style="list-style-type: none"> <li>• Replicability and Standardization</li> <li>• Competitive Advantages</li> <li>• Relationship Bilaterality</li> </ul>	



## 5. Final Considerations

Having all the data collected and their subsequent analyses executed, the following is, as a conclusion, a resumption of the problem presented by the project, the main objectives and the main answers and conclusions to the objectives proposed by the research, that is, to investigate the main factors of franchising, which are summarized in Table 12:

**Table 12:** Main Franchisability Factors.

Factor	Authors
1. Business Model	[6, 5, 7, 25]
2. Market and Product	[6, 5, 16, 14]
3. Franchisee Support Availability	[6, 5, 16]
4. Replicability and Standardization	[5]
5. Competitive Advantages	[6, 5, 25]
6. Brand Power	[6, 5, 14]
7. Profitability	[6, 5]
8. Relationship Bilaterality	[7, 16, 25]

Source: prepared by the authors (2018).

Among all the factors raised, only factor 4 - "replicability and standardization" - could not be triangulated directly with authors other than Campora (2006), because it was not mentioned directly in its models. However, the question of replicability and standardization was mentioned indirectly in the conceptual definitions of SEBRAE (2016) and in the generational theory of Mauro (2013) and Ribeiro *and his colleagues* (2006), where standardization and replicability are essential for a franchise operation to grow. Excluding factor 4, all other factors were triangulated by different authors and, consequently, important factors for franchisability were validated. Considering the main theoretical and empirical contributions of the research, the relevance of the following determining factors for the franchisability of a company was determined:

**Table 13**

Very High	High
<ul style="list-style-type: none"> <li>● Business Model</li> <li>● Market and Product</li> </ul>	<ul style="list-style-type: none"> <li>● Brand Power</li> <li>● Profitability</li> <li>● Franchisee Support Availability</li> </ul>
Neutral	
<ul style="list-style-type: none"> <li>● Replicability and Standardization</li> <li>● Competitive Advantages</li> <li>● Relationship Bilaterality</li> </ul>	

The business model factor was unanimous among the interviewees and websites, and it is perceived that the robustness of the business model offered, in addition to the entire package offered by the franchisor, is the most relevant factor to decide whether a company can be considered franchisable. The market and the product have gained relevance because the acceptance and seasonality of the market in relation to the product or service being offered is a deal breaker for the operation.

It is also concluded that the factors that have a high relevance, that is, a lower relevance than “very high”, but higher than “neutral”, are the brand power, profitability and availability of support for the franchisee.

In this sense, these factors are not paramount, but also need to be aligned to secure the company's franchisability. A company with a low brand power can hardly be franchised because brand power makes potential franchisees want to become part of the company's operations, as well as being a catalyst for sales.

The availability of support for the franchisee is also of high relevance because the franchisor needs to have as many tools as possible to be able to ensure the well-being of the franchisee.

What's more, the more support the company provides for the franchisee, the more chances it will have to take care of the brand as if it were the franchisor. Finally, profitability is also of high relevance because if the business is not profitable or does not make a relevant profit in relation to the investment, there is no way to sustain the argument of selling a ready-made business model to a potential franchisee.

It is also concluded that the rest of the factors raised in the literature are relevant for franchising, but not as much as the factors of very *high relevance*. This means that these factors do have a power to affect a company's franchisability, but they are easier to adjust and do not have such a strong power to make a company non-franchisable.

In relation to SMEs, it is concluded that franchisability can be an excellent path for its growth, because as the strongest factors are the business model and the market and product, SMEs already have this in their *core*. One of the greatest difficulties in the growth of SMEs, as proposed by Lucato and Vieira Júnior (2006), is the acquisition of capital, and franchising is an effective method for this profile, not counting the acquisition of

intellectual capital and relationship networks. Therefore, franchising can be considered a viable path for the growth of SMEs in Brazil.

### **5.1. Research Limitations**

Although the results achieved in this research were adequate for the purposes of this work, there are also important limitations to be observed. The first main limitation is that this work focused exclusively on business model franchising, specifically with local Brazilian brands and inbound international brands. For the proposed model to be more consistent, more research should have been done in social franchising and outbound international franchising, as to make it more complete. The second main limitation was the sample size used in this research. Only the three largest segments in the Brazilian market were used, and within each market, only two companies were surveyed. This is an adequate sample size to begin with, but further studies in larger scale should be conducted in order to make the model stronger and have higher degrees of confidence, as well as reducing any implicit bias in the research made.

In conclusion, larger and more substantial research works should be done in order to further develop the ideas raised in this work.

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