HOW CAN A POTENTIAL FRANCHISOR ESTABLISH A SUCCESSFUL FRANCHISE IN FAST MOVING CONSUMER GOODS

ROSA ESMERALDO
HOW CAN A POTENTIAL FRANCHISOR ESTABLISH A SUCCESSFUL FRANCHISE IN FAST MOVING CONSUMER GOODS

BY

ROSA ESMERALDO

Submitted in partial fulfilment of the requirements for the degree of

Masters in Business Administration

MBA Unit, PE Technikon

in the

Faculty of Business Administration

Supervisor:  Mr S. Krause

January 2004
DECLARATION
This work has not been previously accepted in substance for any degree and is not being concurrently submitted in candidate for any degree.

Signed
Date

STATEMENT 1
This dissertation is being submitted in partial fulfilment of the requirements for the degree of Masters in Business Administration.

Signed
Date

STATEMENT 2
This dissertation is the result of my own independent work/investigation, except where otherwise stated. Other sources are acknowledged by footnotes giving explicit references. A source list is appended.

Signed
Date

STATEMENT 3
I hereby give consent for my dissertation, if accepted, to be available for photocopying and for interlibrary loan, and for the title and summary to be made available to outside the organisation.

Signed
Date
ACKNOWLEDGEMENT

This dissertation is dedicated to my sister, Elsa Constance Esmeraldo who has shown me the true meaning of faith.

I wish to thank all those people who contributed to the successful completion of the report. In particular, I would like to thank the following:

☐ My family and friends for their encouragement and support, especially Adri and Dawie Marais who have always been there for me;
☐ Henry Montgomery for the ideas and inspiration;
☐ Shaun Krause for his guidance;
☐ Dr. J.J. Pieterse for his guidance and assistance with the statistical information and tables.

Rosa Esmeraldo
Port Elizabeth
January 2004
# TABLE OF CONTENTS

## CHAPTER 1: PROBLEM STATEMENT AND RESEARCH DEFINITION

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1. INTRODUCTION AND BACKGROUND</td>
<td>1</td>
</tr>
<tr>
<td>1.2. PROBLEM STATEMENT</td>
<td>3</td>
</tr>
<tr>
<td>1.3. SUB-PROBLEMS</td>
<td>3</td>
</tr>
<tr>
<td>1.4. HYPOTHESES</td>
<td>4</td>
</tr>
<tr>
<td>1.5. DEMARCATION OF THE RESEARCH</td>
<td>4</td>
</tr>
<tr>
<td>1.5.1. Franchisee</td>
<td>4</td>
</tr>
<tr>
<td>1.5.2. Geographical demarcation</td>
<td>4</td>
</tr>
<tr>
<td>1.6. DEFINITION OF SELECTED CONCEPTS</td>
<td>4</td>
</tr>
<tr>
<td>1.6.1. Franchising</td>
<td>4</td>
</tr>
<tr>
<td>1.6.2. Franchisor</td>
<td>5</td>
</tr>
<tr>
<td>1.6.3. Franchisee</td>
<td>6</td>
</tr>
<tr>
<td>1.6.4. FASA</td>
<td>6</td>
</tr>
<tr>
<td>1.6.4. Fast Moving Consumable Goods</td>
<td>6</td>
</tr>
<tr>
<td>1.7. SIGNIFICANCE OF THE RESEARCH</td>
<td>6</td>
</tr>
<tr>
<td>1.8 ASSUMPTIONS</td>
<td>10</td>
</tr>
<tr>
<td>1.9. RESEARCH DESIGN</td>
<td>11</td>
</tr>
<tr>
<td>1.9.1. Research methodology</td>
<td>11</td>
</tr>
<tr>
<td>a. Literature survey</td>
<td>11</td>
</tr>
<tr>
<td>b. Empirical study</td>
<td>11</td>
</tr>
<tr>
<td>1.9.2. Development of an integrated model</td>
<td>11</td>
</tr>
</tbody>
</table>

## CHAPTER 2: THE IDENTIFICATION OF CRITICAL SUCCESS FACTORS IN FRANCHISING

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. INTRODUCTION</td>
<td>12</td>
</tr>
<tr>
<td>2.2. SETTING UP AN EFFECTIVE FRANCHISE STRUCTURE</td>
<td>13</td>
</tr>
<tr>
<td>2.2.1. The Decision To Franchise</td>
<td>14</td>
</tr>
<tr>
<td>2.2.1.1. Feasibility Study</td>
<td>15</td>
</tr>
</tbody>
</table>
2.2.2. Establish Pilot Operation  
  
  2.2.2.1 Advantages of Setting Up a Pilot Operation  
  
2.2.3 Develop Franchise Package  
2.2.4 Develop Operations Manual  
2.2.5 Franchise Agreement  
2.2.6 Prepare Disclosure Documents And Register  
2.2.7 Recruitment of Franchisees  
2.2.8 Selecting Prospective Franchisees  
2.2.9 Training Franchisees  
2.2.10 Supporting Franchisees  
2.2.11 Financial Aspects  
2.2.12 Franchisor-Franchisee Relationship  

2.3. CHARACTERISTICS OF A GOOD FRANCHISE  
  
  2.3.1 Trademark / Logos  
  2.3.2 Product/Service Quality  

2.4. GENERIC STEPS IN MANAGING A FRANCHISE  
  
  2.4.1 The Relationship  
  2.4.2 Joint Consultative Committees  
  2.4.3 Location Selection  
  2.4.4 Franchise Team  

2.5. SUMMARY  

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY  

3.1. INTRODUCTION  
3.2. WHAT IS RESEARCH DESIGN?  
  
  3.2.1. The concept of research  
  3.2.2. The concept of design  
  3.2.3. Validity and reliability  

3.3. METHODOLOGICAL APPROACHES  
  
  3.3.1. Introduction  
  3.3.2. Quantitative research
CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1. SUMMARY 92

5.2. CONCLUSION 92

5.3. RECOMMENDATION 94
   5.3.1. Pilot Operation And Operating Manual 94
   5.3.2. Recruiting And Selecting Franchisees 95
   5.3.3. Training Franchisees 95
   5.3.4. Providing Support To The Franchisee 96
   5.3.5. Managing A Franchise And Disclosure Documents 96
   5.3.6. Recommended Franchise Model 96
       5.3.6.1. Notes On The Steps To Franchise A Business 96

5.4. FURTHER RESEARCH 99

SOURCE LIST 100

ANNEXURE B: Questionnaire 106
ANNEXURE C: Personal Interview Guide 110
LIST OF TABLES

Table 4.1  Business Period Of Franchisee  
Table 4.2  Gender Of Franchisees  
Table 4.3  Age Group Of Franchisees  
Table 4.4  Highest Qualifications Of Franchisees  
Table 4.5  Motivation For Purchasing A Franchise  
Table 4.6  Franchisability Of Product  
Table 4.7  Franchise Operating Manual Depth  
Table 4.8  Understanding Of The Operating Manual  
Table 4.9  Usefulness Of Operating Manual  
Table 4.10  Use Of Only Operating Manual To Succeed  
Table 4.11  Role And Responsibilities Defined In Agreement  
Table 4.12  Rating Of Franchising Agreement  
Table 4.13  Scrutinising Of Franchisees  
Table 4.14  Importance Of Training  
Table 4.15  Rating Of Training Manual  
Table 4.16  Frequency Of Visits By Franchisor  
Table 4.17  Rating Of Franchise Support  
Table 4.18  Franchise Relationship Rating  
Table 4.19  Rating Of Disclosure Documents  
Table 4.20  Rating Of Franchise Package  
Table 4.21  Impact On Changing The Trademark  
Table 4.22  Importance Of Trademark Vs Product For Success  
Table 4.23  Understanding Of Quality Requirements  
Table 4.24  Frequency Of Quality Audit  
Table 4.25  Strategically Location Of Store  
Table 4.26  Most Important Aspect Of Managing A Franchise  
Table 4.27  Belonging To Franchise Committee  
Table 4.28  Impact Of Committee With Franchisor  
Table 4.29  Role Of The Franchise Team
Table 4.30 Adequacy Of Franchise Team 86
Table 4.31 Rating Of Franchise Team 86

LIST OF DIAGRAMS

Diagram 5.1. Franchise Model 98

LIST OF ABBREVIATIONS

Fast Moving Consumable Goods (FMCG)
Franchise Association of Southern Africa (FASA)
International Franchising Association (IFA)
Nelson Mandela Municipality Metropole (NMMM)
Franchising has become the latest trend in business expansion and business acquisition and with the South African franchising market estimated at being around 12% and growing rapidly, enormous potential for future growth is indicated.

Companies both local and international are seeking franchise expansion opportunities in Africa despite the higher risks. The significance of implementing franchises into Africa is the filtering down of business opportunities to the small and medium enterprise sector. It can be said that franchising promotes business growth and private ownership, while improving the quality of life of the poor through its impact on income and employment.

A franchise organisation that grows too quickly might not have the necessary ‘factors’ in place to support all of the units properly.

In the survey conducted, it was indicated that the franchise business practice echoed the literature reviewed. All the steps necessary to establish a franchise are important but not necessarily as equal. The more matured franchisee needed less guidance from the franchisor and relied more on the business concept and location.

Potential franchisors need to take the necessary steps to establish a franchise and treat each step as an important part of the franchise process.
CHAPTER 1
PROBLEM STATEMENT AND RESEARCH DEFINITION

1.1. INTRODUCTION AND BACKGROUND

A business needs to adapt to the continuous changes in today’s economy. This adaptation is vital for success in business. There must be a constant grasp of business changes requiring rapid transformation on a daily or almost continuous basis. These changing trends need to be monitored and are especially important to franchisors (Seltz 1982:3).

Franchising is a technique of distribution, a method of doing business of marketing, a product, or service, which has been adopted and used in many diverse industries (Niemand 1998:2).

Franchising is essentially a marketing exercise, promoting a corporate or unitary image, which creates a perception among consumers that all the franchise outlets offer the same standards and quality of goods and services (Niemand 1998:2).

Franchising is a relatively safe way for companies to expand effectively without incurring the high overheads and management problems usually associated with the establishment of a branch network. Franchising is a powerful marketing machine. Most importantly for South Africa, it is a way for people to obtain “a business for themselves but not by themselves” (Niemand 1998:2).

There are two main types of franchising according to Felstead (1993:47). The first is known as product or trademark franchising. The franchisor is typically either a manufacturer seeking outlets for its branded products or a product component manufacturer requiring a third party to complete the product and distribute the branded product to retailers. The franchisee usually conducts business as an
independent distributor acquiring the identity of the franchisor through the product or trademark.

The second broad type of franchising is known as the business format franchise. Under this system, the franchisee sells the franchisor’s product and/or service, in accordance with a set of precisely laid-down procedures or format by the franchisor.

Growth areas in franchising are responding to changes, as the economy becomes more service and technologically orientated, as more women enter the work force and as a larger percentage of the population grows older. The industry categories in franchising that are expected to continue to experience rapid growth for the start of this century of the service related fields such as home repairs and remodelling (Niemand 1998:2).

In business format franchising, the franchisor prescribes for the franchisee a complete plan for managing the establishment. This plan provides step-by-step procedures for the major aspects of the business and anticipates most management problem (http://216.109.85.35/ifa/control/q7 2003).

Felstead’s (1993:47) distinction between product/trademark franchising and business format franchising serves to capture some of the newer, more novel elements of how franchising is practised today. Business format franchising is broadly different from its product or trademark counterpart in at least four respects.

- The business format franchising is growing at a fast rate, offering more opportunities for aspiring entrepreneurs seeking to ‘be their own boss’;
- The concentration among product or trademark franchise networks is raising the capital required to become a franchisee;
- Recent evidence suggests that the number of potential franchisees may be on the increase. Where these hopefuls lack a specific business idea,
business format franchisors can provide a complete, tried and tested business package;
- A franchise based on the intangible assets of a ready-made business is more likely to be protective of its knowledge than one based on the supply of a branded product.

1.2. PROBLEM STATEMENT

Franchises are the most rapidly growing kind of enterprise and Naisbitt (as quoted by Shivell and Banning 1993:1) predicts that franchising will account for more than half of all retail sales by the end of the century. Against the background of these characteristics the main research problem arises as:

“How can a potential franchisor establish a successful franchise for fast moving consumer goods?”

1.3. SUB-PROBLEMS

A research strategy to deal with and solve the main problem was developed; the following sub-problems have been identified:

a) What does a literature study reveal are the characteristics of a good franchise?

b) What steps should a franchisor take to set up an effective franchise structure?

c) What generic steps should a franchisor take in managing a franchise?

1.4. THE HYPOTHESIS
The following hypotheses was formulated from the sub-problems identified:

a. A literature study does not reveal the characteristics of a good franchise.

1.5. DEMARCATION OF THE RESEARCH

It is necessary to demarcate the research to areas listed below to ensure that the research project is of a size that is manageable:

1.5.1. Franchisee
The study research will concentrate predominately on the franchisee in order to develop a model that would enable potential franchisors to establish a successful fast moving consumer goods franchise.

1.5.2. Geographical Demarcation
The area to be researched is the Port Elizabeth/ Uitenhage region of the Nelson Mandela Municipal Metropole (NMMM), which is situated in the Eastern Cape region in the Republic of South Africa.

1.6. DEFINITIONS OF SELECTED CONCEPTS

1.6.1. Franchising
“Today’s standard dictionary definition of franchising still reflects historical heritage, ‘a privilege granted by the sovereign power to any person or body of persons’. In this context, a franchise referred to the granting of various rights and obligations from the sovereign, which would otherwise be reserved for the Crown” (Felstead 1993:39).

Franchising involves one party developing a successful business format with identifiable features, which is licensed to another party to set up and run a wholly identical venture in a particular area for a specific period of time (Maitland 1991:1).
Thompson’s definition of franchising as quoted by Felstead (1993:46) provides a “promising starting point”. It is a contractual bond of interest in which an organisation, the franchisor, has developed a pattern or formula for the manufacture and/or sale of a product or service. The franchisees are granted the right to carry on the business, subject to a number of restrictions and controls. In almost all cases of significance, the franchisee operates using the franchisor’s name as a trade name.

Felstead (1993:46) critically states that even though Houden’s definition captures much of the franchise relationship, it fails to mention one important ingredient, the on-going royalty payments made by the franchisee to the franchisor.

Business franchise, according to Shivell and Banning (1993:1), can be defined as an arrangement whereby the franchisee buys the right to use the franchisor’s methods of marketing, operational systems, logos, trademarks, etc.

1.6.2. Franchisor

Seltz’s (1982:1) definition of a franchisor is the person in the franchise relationship who introduces structure and discipline, standardisation of operating procedures, and sophisticated control techniques that ordinarily would be unavailable to the operator of a single unit.

Maitland (1991:1), on the other hand, describes a franchisor as the party granting a license to the franchisee to operate a business using the franchisor’s business concept.

The franchisor as stated by Shivell and Banning (1993:1) is the person in the franchise relationship who dictates many of the details of the business such as process, quality, product and equipment specifications and the methods and hours of operations.
1.6.3. Franchisee
The franchisee according to Seltz (1982:1) is the person to introduce an entrepreneurial “spirit” to the franchise relationship – a dedication and willingness to devote long hours and hard work to the enterprise - that usually would not be obtained by the franchisor from its employees. Maitland’s (1991:1) simple definition of a franchisee is the party buying the franchise.

1.6.4. Franchising Association of Southern Africa
The Franchising Association of Southern Africa (FASA) is a non-legal body that serves to guide registered franchises with franchise and related matters.

1.6.5. Fast Moving Consumable Goods
Fast moving consumable goods (FMCG) can be defined as non-durable, tangible goods normally consumed in one or few uses. “Because these goods are consumed quickly and purchased frequently, they are usually available in many locations” (Kotler 2000:396).

1.7. SIGNIFICANCE OF THE RESEARCH
The South African Labour Minister, Membathisi Mdladlana, as reported in The EP Herald (27 June 2003) said that the latest labour force survey, conducted in September 2002, indicated that 4,837,000 (30.5%) people were unemployed in the South Africa. This figure is true if one applied the narrow definition of the ‘unemployment rate’, namely that the unemployed were:

- Within the economically active population who did not work during the seven days prior to the interview;
- Who want to work and are available to start work within a week;
- Who have taken steps to look for work or start some form of self-employment in the four weeks prior to the interview?
Should a broader definition be applied, namely the inclusion of discouraged job seekers who were unemployed, but had not taken active steps to find work in the four weeks prior to the interview, it was found that 7 925 000 people were unemployed, which amounts to 41.8% of the potential workforce (approximately 18 million people).

The unemployment rate in South Africa is high and further reports (Minister of Finance Trevor Manual on Good Morning South Africa 12.11.03) indicate that it is on the increase predominantly affecting the Eastern Cape. Many people are attracted to self-employment as a means of escaping the employee status; other individuals are forced into self-employment because there appears to be little prospect of securing any other form of employment.

This results in entrepreneurship being promoted in South Africa as an employment option. The statistics on ‘start-up’ business are quite staggering as franchisors and their advocates point out. Eighty percent of all businesses started, fail within the first year of operation whereas of all franchise outlets only slightly more than one and a half percent fail each year (Foster 1988:9).

In a major survey conducted by Peter Gordon Associates on franchising, as reported by Niemand (1998:12), it was found that since 1990 the number of businesses, which have expanded on a franchise basis, has doubled. This is some indication that franchising is coming of age in the new South Africa. It is expected that franchise systems will grow by at least 20% in number over the next couple of years. Franchising also fits naturally into the Reconstruction and Development Plan (RDP) small enterprise framework as it allows:

- Easier access to capital;
- Access to market;
- Transfer of skills;
- Access to supported institutional arrangements such as membership of an association.
Franchising has over the years proven a successful way for entrepreneurs to conduct business successfully without the usual risks involved in starting a business from conception.

“Franchising globally has opened up opportunities in all sectors of the business community with franchises recognised worldwide as symbols of value, quality and consistency. South Africa leads the continent of Africa as having the most advanced and sophisticated franchise system-comparable to most first world countries- and though the Franchise Association of Southern Africa will be spearheading franchise growth and promotion into the rest of Africa” (Osso 2003:5).

Franchise ownership is still predominantly in white hands (56.4%); a census conducted indicated a sharp increase in ownership by the previously disadvantaged South Africans in 2002. The increased ownership can be split into the following culture groups, 41.6% are Black; 14.2% Indian; 9.1% Coloured.

The results reveal that franchising offers long-term empowerment opportunities, with 35% of black-owned franchises having been in operation for over 20 years (Machenheimer 2003:24).

The same census found that the franchising sector, besides its obvious contribution to job creation, contributes a massive 11.6% to South Africa’s Gross Domestic Product (GDP), with the total value of turnover estimated at R135.7 billion. This includes the petroleum sector (Machenheimer 2003:24).

The same survey (Machenheimer 2003:25), revealed that key factors that positively effected current growth trends are:

- The state of the economy (43%);
- Lack of funding (21%);
- Selection of suitable franchisees (11%);
Site selection (11%);
Over-saturated market (9%);
Competition (8%);
Exchange rates (8%);
Population density (6%);
Disposable income (5%);
Interest rates (5%).

At the beginning of 2003 Gauteng led the franchise market with 40.2% of the outlets, followed by the Western Cape with 16.4%, KwaZulu Natal with 14%, Eastern Cape with only 7.9% and Mpumalanga with 6.1%. The remaining areas currently hold less than 5% of franchised outlets (Machenheimer 2003:25).

Legislation recently promulgated to promote and regulate small, medium and micro businesses makes it easier for individuals, especially the previously disadvantaged South Africans to start their own business. A prime example is the National Strategy for the Development and Promotion of Small Business in South Africa Act of 1995. Franchising by its very nature should be playing an important role in South Africa’s transformation process and more specifically in black economic empowerment.

“It is clear that entrepreneurial business is the only sustainable way to create jobs,” says André Diederichs of Old Mutual. “This is where the country has to go, if we are to succeed”. Old Mutual has investigated the franchising concept in South Africa and is committed to investing in the franchise growth process (Succeed March/April 2003).

This research project intends to establish whether the literature on franchising in fast moving consumable goods reflects the practices in franchises.

Attaining clarity on the main problem and the sub-problems is hindered by several factors that include:
Sensitivity of the South African economic conditions and turbulent changes in the national and global environment;
The opening up of international markets and the increase of franchising business in South Africa;
One hundred percent commitment is required for success in the franchising business.

The development of a practical franchise model will have important consequences for franchise industry and for South Africa economy as a whole.

1.8. ASSUMPTIONS

There is the assumption that franchises should not fail, as a business format is in place and all the franchisee is required to do is follow and apply the prescribed format.

Success depends on more than just having a prescribed business format. The International Franchising Association recommends that a franchisee investigate more than just the franchisee profitability. Franchisees must look at:
- The franchisor’s track record;
- The terms and conditions of under which the franchise relationship is governed;
- The type of experience required in the franchise business;
- Complete understanding of the business;
- The level of commitment of both the franchisee and franchisor.

1.9. RESEARCH DESIGN

The methodology to be followed in the research project is described in this section.

1.9.1. Research Methodology
In conducting the research project the following procedure will be adopted to solve the main problem and the related sub-problems.

b. Literature Survey
A literature study will be conducted in order to identify the key components of a successful franchise. Literature will be gathered from libraries of the University of Port Elizabeth, the Port Elizabeth Technikon and the Internet.

c. Empirical Study
The empirical study will consist of the following parts:
Personal interviews will be carried out in the demarcated area to identify the key success factors critical to a franchise.

The measuring instrument to be used in the interview will be structured questionnaire developed by the researcher based on information gathered from the literature study.

The population will comprise of wholesale/retail franchisees in the fast moving consumer goods economic sector.

1.9.2. Development of an Integrated Model
The objective of the research study is to combine the results of the above literature study with the results of the empirical study to develop an integrated model for a successful franchise for fast moving consumer goods.
CHAPTER 2
THE IDENTIFICATION OF CRITICAL SUCCESS FACTORS IN FRANCHISING

2.1. INTRODUCTION

In this chapter the author explores the literature available on franchising and uses Niemand (1998) as a guide. The chapter will cover three main categories namely:

- Setting up an effective franchise structure;
- Franchise characteristics;
- Management of a franchise.

Each category will be researched and discussed under various headings.

Franchisors have access to a wider geographical market, by means of franchising, that would otherwise not profitably be accessible to them. For various reasons (which are outside the scope of the study), both the franchisor and franchisee benefit from this franchise relationship (Felstead 1993:44).

Over the years a great many firms and individuals have sought to learn how to start and develop a franchise operation as a franchisor. The most successful franchisors have been the entrepreneurs who started small with one or more profitable units and then expanded through franchising. It has been said that some of the more successful franchise chains were actually drawn into franchising by prospective entrepreneurs who observed the success of the units and wanted to enjoy some of the success for themselves (Vaughn 1979:79).

Franchise establishments represent almost half of all US domestic trade. It is understandable, as franchising is a reduced-risk form of new business start-up, with every element from site selection to inventory pre-planned, carefully documented and easily transferable (Foster 1988:9). A well-developed franchise
blueprint contains the tools designed to ensure the success of franchises (Seltz 1982:22).

It is not surprising that nine out of ten franchise businesses succeed for at least five years with the blueprint at play in the franchise relationship, whereas eight out of ten non-franchise start-ups never make it past the first year (Foster 1988:9).

2.2. SETTING UP AN EFFECTIVE FRANCHISE STRUCTURE

The growth of franchising worldwide is inevitable. Franchising offers the franchisee the best possible opportunity of succeeding with a calculated risk. It is estimated that within less that fifteen years franchising will compromise over fifty percent of the world retail economy (www.saweb.co.za/franchises/av_about_1.asp 2003).

In analysing the franchise option, it is important to clearly understand the attraction and drawbacks of buying a franchise versus starting your own business (Levy and Weitz 1992:C1). The major attractions in favour of franchising are:

- Generally franchising has higher success rate compared to independent start-ups;
- There is a reduced risk as the franchise is based on a proven method of doing business. Virgin start up business owners need proven business methods;
- Availability of operating and training manuals for franchisees. Non-franchisees business owners rely mainly on their own experiences and trail and error methods;
- National advertising and promotions saves on costs for the franchisees. Independent business owners who advertise do so at their own expense;

The major drawbacks of franchising for the franchisee are:
Franchisees pay royalty fees while as independent business retain the profits made; Franchisees are required to adhere to the franchisor’s rules and guidelines. Independent business owners have their own rules.

The issues pertinent to success in a franchise are the same as for any other business. The only significant difference is that the array of factors responsible for a franchise’s success are tried and tested. There is a proven ability to transfer this system of excellence to varied and dispersed locations. The franchise model is therefore predicated on the assumption that value has been developed through careful operation, testing and documentation of a commercially viable idea (Bygrave 1994:355).

The initial success of the system of excellence lies in the ability of the franchisor to communicate it to qualified franchisees. Its long-term success is uniquely tied to the franchisor’s ability to receive and assimilate process feedback from the franchisees and use this feedback to modify it (Bygrave 1994:355).

2.2.1. The Decision to Franchise
The franchisor must have a product or idea that can be franchised before franchising can take place. The decision to franchise will usually arise according to Niemand (1998:17) out of one of five possible situations:

- The prospective franchisor is currently operating a successful established business and wishes to expand. Franchising is an appealing method of achieving this;
- The prospective franchisor has specifically set out to develop a business concept that can be franchised;
- The prospective franchisor has developed a specific product or service and would like to establish an extensive distribution network quickly for that product or service;
The prospective franchisor seeks out established independent outlets in the same field of business and persuades them to join a network, a practice known as conversion franchising;

The prospective franchisor is a firm with profitable individual units, which are burdened by management and labour concerns, or the corporate structure or distribution system is inadequate. The prospective franchisor could franchise these units to maximise profits. This is called retro-franchising.

The first step according to Roy Ruppert, President of the Franchise Marketing Group in San Diego, for the franchisor is to determine whether the product or idea is “franchiseable” (Shakespeare 1995:2). This can be determined by answering these questions:

- Is the business profitable?
- How is the business different from similar, competing business?
- Is the business fairly easy to teach and learn?
- Is the concept one that allows the facility and personnel requirements to be easily obtainable in the marketplace?
- Where will the necessary capital to launch the new franchise be obtained?

Once it has been established that the business or business idea is suitable for franchising a feasibility study needs to be conducted and a business plan drawn up (Niemand 1998:22).

2.2.1.1. Feasibility Study

The feasibility study starts with the analysis of the industry, identifying its strengths and weaknesses and charting the industry cycle. An in-depth analysis of the intended market will be necessary for measuring current demand and forecasting future demand, as well as identifying desired market segments, and market positioning objectives (Niemand 1998:22).
Adam and Prichard (1987:112) echo Mendelsohn's (1979:58-59) sentiments in stating that a necessary pre-condition for setting up a new franchise business must exist. The franchisor should actually have something to franchise. An idea on its own is not good enough. If the prospective franchisor is intending to develop an ethical franchise, it must be thoroughly tried and tested so that the franchisor can demonstrate to the prospective franchisees both the viability of the business and its proven success in different circumstances.

Franchising is an effective means of expanding certain kinds of business more rapidly than through organic growth or acquisition. Seen from the franchisees perspective, purchasing a franchise can be an appropriate method of using risk sharing to enter into business (Birley and Muzyka 2000:54).

Once the franchisor has decided to franchise, the next step is to determine the feasibility of developing a potential or existing business into a franchise operation. The business plan or feasibility study is compiled to assess the overall viability of the business concept (Niemand 1998:22).

If the result of the feasibility analysis of the franchisor, the franchise team, the franchise format, finances and objectives, is positive, the franchisor must set up a pilot scheme – either redesigning an existing outlet or establishing a completely new operation on a franchised basis (Maitland 1991:31).

2.2.2. Establish Pilot Operation
Mendelsohn (1979:59) is of the opinion that it is essential for the franchisor to set up his own operation, invest his own money and test the business concept thoroughly in practice.

Niemand (1998:26) agrees that it is “unethical to use the franchisees as guinea-pigs” instead of setting up a pilot operation first. The franchisor will soon discover
the business suffers if operating methods are constantly changing because the system was not thought out and tested before being sold as a franchise.

The establishment of the pilot operation allows the franchise format to be tried, tested and proven for at least twelve months. This creates a winning package that will attract franchisees and create and sustain a sound network. The more pilots, the lengthier the time and the more varied locations that the franchisor has, the better the resulting franchise package will tend to be (Maitland 1991:31).

Piloting enables the franchisor to ruthlessly re-examine the format, spotting and amending flaws, experimenting and making improvements. Frequently systems and procedures have to be simplified to be effective for new franchisors (Maitland 1991:31).

Mendelsohn (1979:59) goes further to say that the franchisor, besides running a pilot operation for a year, should have tested the business in different locations to obtain the widest possible experience in various conditions. The franchisor must also have experimented with different types of equipment to ensure that the best is utilised and at the most economical price. Ultimately the franchisor must perfect the product and product range that the business is to market.

The franchisor having run the pilot operation will be able to access the initial and subsequent services for franchisees. The services may extend from choosing a location, surveying premises, negotiating for a lease, applying for planning permission, attending to décor, layout and design, raising funds, to buying stock (Maitland 1991:31).

Most people experienced in franchising, according to Vaughn (1979:85), emphasize the necessity for developing one territory with company-owned units to use figures and procedures derived from these. He then states, to proceed with
expansion, first franchise these units and then expand into other areas. One franchisor-owned pilot outlet should be set up at least (Niemand 1998:26).

2.2.2.1. Advantages of Setting Up a Pilot Operation
Niemand (1998:27-29) examines the advantages of setting up a pilot operation. Each of the advantages will be individually discussed below.

a. Induction of Potential Franchisees
Potential franchisees can spend time at the pilot operation to observe the activities and become acquainted with the business. It creates a basis for sound business relations and satisfied franchisees (Niemand 1998:27).

Some may argue that potential franchisees can experience the business via other established franchisees but according to The Franchising Association of Southern Africa it would amount to the waiving of an essential duty by the franchisor. It can lead to the creation of a dangerous precedent, with new franchisees learning “bad habits” from an established operator. The training of new franchisees, from an overall point of view, is far too important to be relegated to the status of secondary importance. There is the consideration that the franchisee, having paid the up-front fee, has purchased the right to receive comprehensive training in an atmosphere conducive to learning (FASA 1995:19).

b. Testing of Products, Methods, Systems and Procedures
Product, system or procedure can be tested and evaluated in the pilot outlet before being released. Franchisees cannot be expected to experiment with new ideas on behalf of the franchisor (Niemand 1998:27). By testing the products, systems or procedure at the pilot operation the franchisor ensures that he remains innovative whilst collaborative (FASA 1995:19).

c. Problem Identification
The pilot operation helps to identify problem areas and enables the franchisor to provide solution in relation to (Niemand 1998:27):

- Marketing;
- Acceptability and availability of product or service;
- Methods of marketing, promotion and merchandising;
- Local by-laws;
- Building regulations;
- Fire regulations;
- Health and safety work requirements;
- Planning requirements;
- Streamlining of shop-fitting methods;
- Staff availability and training requirements;
- Taxation, including VAT, and customs and excise duties (where applicable);
- Layout and the best combination of equipment and;
- Other factors of a legal and business nature relevant to the particular type of business.

d. Staying in Touch with the Market
The pilot operation enables the franchisor to maintain direct customer contact, to respond to changing consumer preferences, and to stay one step ahead of the competition. The franchisor is able to receive both formal and informal feedback from the franchisees on an ongoing basis (Niemand 1998:28).

The franchisor needs to remain on top of developments in the market. It is essential that he can test and verify the feedback he/she receives from franchisees against end-user responses recorded in the company-owned outlet (FASA 1995:20).

e. Keeping the Blue Print up to Date
The operation of the pilot outlet provides the franchisor with information about the productivity levels and profit margins. Should the franchisee deviate from these norms, the franchisor will offer remedial assistance (Niemand 1998:28).
f. **Training and Retaining of Franchisees and Key Staff**
A major portion of the franchisee’s training takes place in the pilot operation.

**g. Determining Location Requirements**
The potential and actual trading experience of different types of location can be obtained. The information gained can be used to set-up a site selection criteria (Niemand 1998:28). Location selection is discussed more comprehensively in section 2.4.3 of this paper.

**h. A Basis for Compiling an Operations Manual**
The experience gained through operating the pilot site can be used to compile the operations manual. The manual must be comprehensive and easily understandable. The lessons learned must be recorded by the franchisor so that they are effectively employed for the benefit of the franchisees (Niemand 1998:29).

**i. Income Generating and Proof of Financial Viability**
The setting up of a franchise operation is an expensive undertaking. Once the pilot operation starts generating an income stream it will enable the franchisor to set up the infrastructure needed to support the franchisees. It will help the franchisor to determine the financial viability (Niemand 1998:29).

An entrepreneur buying a franchise inherits the franchisor's legacy of a finely tuned business format, a meticulously documented system, and a proven product or service, which the franchisor acquired from the pilot operation. He also acquires knowledge and insight that would otherwise take years to assimilate (Foster 1988:10).

**2.2.3. Develop Franchise Package**
The next important step in developing a franchise operation is developing the franchise package. This involves bringing together the elements of the business, reflecting the accumulation of the franchisor’s total operational experience in a
transmittable form. This comprehensive package must be prepared in advance. This is where the setting up and running the pilot operation will provide the basis upon which the elements in the package are structured (Niemand 1998:31).

Foster (1988:14) states a franchising package, which includes a business plan, should be usable by the franchisee for funding as it contains all the key elements required for finances. The franchising package will serve as a blueprint of the business that assists in competing in the marketplace, as it contains a marketing plan and budget. The business plan will guide the franchisee to profitability with a clear perspective of the factors that influence income and expenses.

The elements of the franchising package include the following are discussed individually:

a. The Franchise Marketing Kit
The franchisor will need to compile a franchise marketing kit to market the franchise. This can be made available to prospective franchisees who, responded to an advertising campaign, as well as to other unsolicited enquirers. The kit can take any form.

b. Training Programme and Facilities
The franchisees and their staff will need to be trained. Training facilities and a detailed training programme must be developed:

- The training requirements for the franchisees and their staff should be identified;
- The duration of the course can be determined;
- The presentation must be carefully structured.

The training time will vary depending on the complexity of the business (Niemand 1998:31).
c. **Operations and Procedural Manual**

The operations manual is an important document, which the franchisor will make available to franchisees. The manual will provide the franchisee with all the information required to operate the franchise business successfully. The manual will be used in training, and thereafter, while the franchisee is running the business, for guidance on any aspect of the business (Niemand 1998:32).

d. **Start-Up Assistance**

The franchisor will need to support the franchisee in the start-up of operations. Certain aspects need attention and clarification even before the marketing of the franchise commences. It is Niemand’s (1998:32) view that it is essential that the franchisor assist the franchisee in the following matters:

- **Site selection and location outlet.** The criteria against which the location will be judged needs to be developed by the franchisor. The franchisor should also assist with the lease negotiations to ensure continuity of a particular outlet as the duration of the lease is normally the same as the duration of the franchise agreement;

- **Pre-opening assistance.** The franchisee needs to be guided by the franchisor in the setting up of the franchise outlet. The experience gained in running the pilot operation will enable the franchisor to prepare standardised plans, specifications, packages of equipment and/or shop-fittings, which can be varied and amended to fit in with the requirements of the particular premises. The franchisor will use trade contracts, plans and checklists to ensure that on completion the new outlet conforms to group standards in every respect;

- **Statutory requirements.** The franchisee will require guidance regarding certain statutory requirements such as licensing and registration with the Receiver of Revenue, the Unemployment Insurance fund and other statutory bodies;

- **Staff selection and training.** The franchisee will need to employ some staff. The franchisor will assist with the setting of guidelines in respect of
staff selection, placement and remuneration. This would normally be covered in the operations and procedures manual;

- **Administrative systems.** The franchisor will assist the franchisee to set up the administrative system;

- **The opening promotion.** It is necessary to develop a promotional package to make the target market aware of the opening of the new franchise outlet.

### 2.2.4. Develop Operations Manual

Shivell and Banning (1993:46) regard the operations manual as the blueprint for success. The manual is, as a consequence, a confidential document. Some franchise agreements will highlight the fact that the franchisee is merely borrowing it for the duration of the franchise agreement. Disclosure is prohibited and is often grounds for terminating the franchise contract.

The operations and procedure manual is the single most important document franchisees will receive from the franchisor. Operations refer to the way the business works while procedures refer to the manner of conducting the business. The franchisee will consult the manual in order to duplicate the success of the franchisor. The operations manual becomes the backbone, as the franchise system develops. (Niemand 1998:51).

An effective manual should describe comprehensively the policies and procedures stipulated by the franchisor to be used in operating the franchise. It should contain the franchisor’s definition of the quality and service standards to be maintained during the operation of the business. It is the principal tool for ensuring that all franchisees deliver their products or services in a consistent manner. The operations manual is critical to the continued and successful existence of a franchise and franchisors should include it as part of the franchise agreement (Shivell and Banning 1993:47).

The prospective franchisor should by experimentation via the pilot operation and experience, develop the operational procedures to the point where maximum
benefit is obtained from the most economic use of resources. At this stage the prospective franchisor should know possible ways in which business procedures can be developed and standardised so that the performance of the business can be monitored carefully (Mendelsohn 1979:59).

The franchisor should, while developing this aspect of the business, become aware of areas of weakness that can produce difficulties for the business and thus be avoided when the business comes to be franchised (Mendelsohn 1979:59).

The purpose of the operational and procedural manual is to document the operating system, based on the franchisor’s composite business experience in order to guide the franchisee in executing every single operational step (Illetscho 2001:101).

The manual will ensure successful franchisees and control quality. It can serve as a marketing tool to demonstrate the franchisors competence to new prospects (http://www.ifranchise.net/Index.cfm?Container_Id=286 2003)

### 2.2.5. Franchise Agreement

The franchise agreement is a legal document, which includes all terms and obligation of each party that together defines the relationship between the franchisor and the franchisee (Niemand 1998:70).

The franchise agreement, unlike the operations manual that governs the operational aspects, is at the heart of any franchised business operation. It regulates the franchisor / franchisee relationship. It is crucial that the franchise agreement be carefully scrutinised and understood by the prospective franchisee (Niemand 1998:70).

The main objective when drafting the agreement is to protect the business and ensure standardisation of the franchise. The franchise agreement becomes the foundation upon which a franchisor builds the franchise business. Ultimately, the
franchisor relies on this agreement to control the franchisees and to protect the franchise business concept (Niemand 1998:70).

The agreement should confirm in detail the statements made in the disclosure documents, which will be discussed next. Any differences should be brought to the attention of the attorney drawing up the agreement and the franchisor before any ongoing commitment is made. The related documents are usually limited to clarifying the liability and security involved under various business structures, and the contracts or agreements concerning required or optional services (Shivell and Banning 1993:64).

Illetschko (2001:39) makes a point of stating that the franchise agreement is not a sale of a franchise but merely a grant. The franchisee therefore has a license to operate one unit of the franchise. This license is usually issued for a fixed period.

Many legal problems arise during the birth and development of the franchise. For that reason various legal documents are desirable if not absolutely necessary (Vaughn 1979:92). The most important is the franchise agreement, which should spell out the respective obligations of the franchisor and the franchisee.

South Africa does not have franchising legislation unlike developed western countries. The franchise agreement is largely based on contractual law and it is imperative that the contract covers as much detail as possible to protect both the franchisor and the franchisee (Illetschko 2001:39). Legislation like the Consumer Affairs Act of 1988, the Competitions Act of 1989 and the laws governing intellectual property will also apply. Members of the Franchising Association of South Africa (FASA) must adhere to the Association’s code of ethics.
Van Cise (Vaughn 1979:97) in his dissertation on the principles that underlie the so-called franchise contract highlighted three general principles that should guide the draughtsman in preparing a suitable franchise agreement are the following:

- The contract should be frank;
- Its provisions should be fair;
- Its contents should be enforceable.

The prospective franchisee should be mindful that the contract in most instances is drawn up by the franchisor’s lawyers and will be committed to protecting and advancing the franchisor’s interests, no matter how objective the lawyer might be. The prospective franchisee should engage the services of an experienced lawyer to protect his interests, at least to the extent of pointing out problem areas in which franchisor and franchisee are not in agreement (Vaughn 1979:97).

Generally, the interests of the two parties will be parallel, since franchisors and franchisees are, in a sense, partners, but the unfortunate fact is that some franchisors (and indeed franchisees) have not always realised this fact (Vaughn 1979:97).

Franchise contracts lay down the conditions on which a franchisee is allowed to dispose of the franchised business, particularly the standards by which the franchisor may approve or reject any prospective assignee should the franchisor not exercise the right of first refusal to purchase often contained in the contract (Jenkins and Poole 1990:262).

The franchisee is normally prohibited, as part of its obligation of confidentiality, from setting up a business in competition with that of the franchisor for a fixed period, even after the termination of the franchise agreement (Jenkins and Poole 1990:262).
Finally, since the franchisor runs the risk of becoming liable for the acts of the franchisee, the franchise agreement often states that the franchisee is an independent contractor responsible for all acts and defaults made by him/her. This indemnifies the franchisor (Jenkins and Poole 1990:262).

The franchise agreement should give the franchisor the power to exercise control over the way every unit of the network is operated, to protect the franchise brand from being bought into disrepute by the reckless actions of an incompetent or wilful franchisee. The franchisor should be in a position to reign in an errant franchisee and if necessary, apply sanctions that would, in extreme cases, to the right to terminate the agreement (http://www.frain.org.za/information/legal/agreementprint.html 2002).

2.2.6. Prepare Disclosure Documents and Register

One of the greatest problems facing prospective franchisees is to ensure that they know what they are aware of the expectations when they purchase a particular franchise. Careful investigation is therefore essential (Illetschko 2001:51).

A survey on FASA’s members acknowledged the need for prospective franchisees to have comprehensive and reliable information about the franchise, this ideally should happen long before the franchise agreement is signed or any payments are made to the franchisor. This realisation led to the creation of an addendum to FASA’s code requiring members to provide prospects with a comprehensive disclosure document (FASA 1999:14).

The disclosure document must contain all relevant facts and includes the following:

- Full and traceable information about the franchisor company including contact details and details of professional affiliation;
- Details of qualifications and business experience of the franchisor and his officers in the type of business being offered as a franchise and the operation of a franchise;
Details of criminal or civil action against the franchisor or his officers either taken during the past three years or pending;

- Full details of the franchise offer and the underlying business;
- Full details of the obligations of the franchisor vis-à-vis the franchisee;
- Full details of the obligations of the franchisee vis-à-vis franchisor;
- An explanation of the most important clauses of the franchise agreement including restrictions placed on the franchisee;
- Financial projections for at least two years and an explanation of the bases on which these projections were calculated;
- Full details of all payments initial and ongoing the franchisee will be expected to make and what he can expect to receive in return for these payments;
- A list of existing franchisees and their contact details;
- An auditors certificate certifying that the franchisor's business is an ongoing concern and able to meet its obligations as they fall due;
- A statement by the franchisor to the effect that to his best knowledge and belief the financial situation of the franchise company has not deteriorated since the day the auditors certificate was issued.

FASA stresses that the disclosure document must provide full details of current and former franchisees especially those in the area which the potential franchisee is considering opening up a franchise. This assists the potential franchisee in determining the competition level in the area (http://www.ftc.gov/bcp/conline/pubs/invest/buyfran.htm 2001).

FASA prescribes that the disclosure document should be updated at least annually or more frequently, should fundamental changes occur.

### 2.2.7. Recruitment of Franchisees

The franchisor faces two basic problems in marketing the franchise to recruit franchisees. The first problem is to develop a product or service that has appeal to the ultimate consumer. The second problem is, once the product or service has
been developed, to convince the prospective middleman, or franchisee, that the product or service can be sold at a profit, that the franchised product can be marketed (Vaughn 1979:101).

The franchise operation must be carefully marketed to warrant the franchisor success. The best way to market the franchise is to demonstrate success. The pilot operation is crucial as proves that the concept works in practice (Niemand 1998:88).

A number of accepted methods are utilized to contact leads for franchise salespersons. The franchisor attracts, through advertising, the interest of specific individuals who are motivated to contact the franchisor for additional information about the programme (Seltz 1982:95).

Franchisors on average contact two hundred prospects before finding an appropriate candidate. The franchisor’s advertising targets individuals who are predisposed towards the opportunity offered. This eliminates a large number of candidates who would be exceptionally well suited but who would not consider the offer made (http://www.threesource.com/whatwedo/franchisoronly/default.asp 2001).

A franchisee is a unique hybrid of both employer and employee, as the franchisee runs and owns his own outlet but follows the system and rules of the franchisor (http://www.threesource.com/whatwedo/franchisoronly/default.asp 2001).

Often franchises are sold to individuals who may have invested their entire savings in the franchise without full appreciation of the risks involved. It is during the recruiting and screening of franchisees that ethical problems in business are brought into sharp focus (Vaughn 1979:101).

The franchisor should offer the prospective franchisee a carefully designed franchise package. The franchise package “should be based on specific ‘values’
given to the franchisee in relation to his investment”. These values as seen by
Seltz (Vaughn 1979:102) are reflected in:
- The substance behind the franchise programme;
- Commensurate value that the franchisee receives for the money he invests;
- Franchisee’s realistic chances for success;
- Motivations of the franchisor in offering franchises.

Once the franchise package has been formulated and a track record has been
established, the aim is to establish the goals for recruiting. When establishing
these goals Vaughn (1979:103) recommends that the franchisor know:
- If he/she wants to expand nationally or regionally?
- Will he/she spot franchisees over the nation to serve as a base for
  expansion?
- What type of individual will be sought as a franchisee?
- What are the company’s objectives in franchising?

Bygrave (1994:355) points out that in addition to establishing franchise goals the
franchisor should be aware of the potential franchisee’s reasons for wanting to buy
into a franchise system. The decision an entrepreneur makes when choosing to
become a franchisee or starting a stand-alone business, is usually based on the
answers to two important questions:
- Is the risk sufficiently mitigated by the trademark value, operating system,
economies of scale, and support process of the franchise to justify a sharing
  of equity with the franchisor (vis-à-vis the franchise fee and royalty
  payments)?
- Is the entrepreneur’s personality and management style amenable to
  sharing decision-making responsibilities of the business with the franchisor
  and other franchisees?

2.2.8. Selecting Prospective Franchisees
The unique nature of the franchise relationship requires that the franchisor must be extremely careful when selecting prospective franchisees. “Franchising is being in business for yourself but not by yourself”. This is true for both the franchisor and franchisee (Niemand 1998:94).

It is critical to nominate the best candidates for long-term success. The franchisor needs to be reasonably assured that a prospective franchisee will follow the franchise’s proven system (Muncuso and Borian 2001).

The franchisor must consider the suitability of prospective franchisees. This involves consideration of a wide range of factors, which should be covered in a questionnaire answered by a potential franchisee (Niemand 1998:94).

The factors that should be covered in the questionnaire include:

- Is the prospective franchisee suited to the rigours of self-employment with the stressors involved?
- Is the person fully committed to and capable of understanding the factors involved in running the franchise?
- Is the prospective franchisee a team player?
- What are the details the prospective franchisee’s past history?
- Does the person have adequate financial resources?
- Is the person committed and supported by a spouse (if there is one)?

The best indicator of the capabilities of a person is his actual performance on the job during an initial period for test and training purposes. Many franchisors do not sign the final franchise agreement until the prospective franchisee has satisfactorily completed the initial period of training during which the franchisee experiences the various phases of operation in which he is to engage, and the franchisor has the opportunity to observe his performance (Vaughn 1979:114).

The skill of choosing the right franchisees will develop with experience. It is not uncommon to find that a franchisor will have more problems from among the first
ten franchisees than from those who subsequently join the network. If either party is uncomfortable with the other it is advisable not to proceed (Niemand 1998:94).

FASA (1995:25) recommends, to assist the franchisor in recruiting franchisees, the following five steps in closing a franchise sale:

- **General Enquiries / Marketing**
  - Present the franchise at seminars and exhibitions;
  - As the franchisor offer to speak at small business events and provide the press with information on the franchise;
  - Advertise.

- **Ensure Follow-up**
  - A system should be in place to deal with enquiries promptly and professionally. Record every enquiry;
  - Respond promptly, with a standard letter, thanking the enquirer and enclosing an initial information brochure. Invite the enquirer to pursue the matter further;
  - Once the potential franchisee/enquirer requests further information, a more comprehensive information brochure and questionnaire be sent. The enquirer should be encouraged to fill in the questionnaire;
  - Upon receipt of the questionnaire the enquirer/potential franchisee’s background and financial status should checked;
  - Should the enquirer ‘fit’ the profile of the franchisee, invite applicant to attend an initial interview that does not place any obligation on either party;
  - Should the background check or the initial meeting not fit the profile of the franchisee, thank the enquirer but state clearly that the franchisor does not wish to pursue the matter further.

- **First Meeting**
  - At the first meeting, the franchisor has the opportunity to both sell the franchise concept and assess the enquirer. Should the enquirer fit the
profile, a comprehensive folder including a video should be available? The franchisor can make arrangements that the potential franchisee visit a franchisee owned franchise. Should this be the first franchisee then arrange that he/she can spend time at the pilot operation.

- **Prepare Financials**
  - Provided that negotiations stay on track, information at the franchisor’s disposal should be used to prepare pro-forma financial statements pertinent to the territory under negotiation and earnings requirements of the franchisee. These figures can be discussed at a further meeting with the potential franchisee. Meetings with the potential franchisee’s banker and professional advisers can also be arranged.

- **Formal Agreement**
  - Based on negotiations to date and the availability of a business location, financial forecasts may be modified before the final agreement is signed. Once the agreement is signed, the franchisor then provides the franchisee with the start-up package, and a training schedule. The franchisee presents the franchisor with the up-front fee for the franchise.

### 2.2.9. Training Franchisees

Training of the franchisee is the most important aspect of the franchising process. It is at this stage that the franchisor is able to assess if the potential franchisee is indeed a ‘qualified’ franchisee. The franchisee on the other hand, will also be able to determine whether the franchise is the ideal set-up for him/her (Vaughn 1979:121).

Two types or levels of training are involved in franchising. First, the training of franchisees, and second, the training of franchisee employees. Vaughn (1979:121) states that training is linked to recruitment and selection. If only potential successes are recruited, selection of franchisees will not be problematic; if only trained personnel are selected, the training problem will be non-existent.
Initial training is necessary only to fill the gaps in skills and knowledge of newly selected personnel, and the selection methods should, if possible, reveal strengths and weaknesses of the prospects so that training can be tailored accordingly (Vaughn 1979:121).

Barrett quoting Vaughn (1979:121) states that training involves three basic goals:

- To improve skills, which cannot simply be mastered by reading. It requires practice;
- To modify values and knowledge;
- To impart information that includes facts, assumptions, opinions, trade gossip and grapevine data.

The training of franchisees is directed towards all three goals mentioned above. The training of franchisee personnel is weighted in the area of skills (Vaughn 1979:121).

Franchise training is a special type of training where certain general criteria must be met by all programs (Vaughn 1979:122). The criteria mentioned are as follows:

- The training programme must be easily administered as the average firm does not necessarily have the managerial resources;
- The programme must be self-paced and individualised since trainees are ordinarily a diverse group with great variations in ability and experience;
- It must be economical;
- It must be continuous.

The franchisor using the above criteria must consider the components of a training system, namely:

- A task analysis, which identifies the elements of the programme and matches them with the abilities and experience of the students or trainees;
- The medium or media to be used – a teaching machine or purely paper or some combination, with instructors, etc;
Validation of the programme that it achieves its aims.

It has already been established that the franchising process is an attempt to reproduce in other locations the successful pilot operation. The process of effectively transferring knowledge and skills from the franchisor to the franchisees and staff is of utmost importance (Niemand 1998:99).

The franchisor becomes responsible for providing suitable training so that each franchisee is capable of running a franchise outlet competently. Developing the training component of a franchise system will require three major actions by the franchisor (Niemand 1998:99):

- Designing and implementing a training unit or function;
- Establishing a training location;
- Developing a training programme.

Birley and Muzyka (2000:63) emphasize the need for effective transferral of knowledge for business success. This is applicable to the franchisees and the franchise staff. The franchisee often becomes the trainer for his or her staff.

A franchise like the Spur send all their new franchisees and managers on a basic training course that lasts between eight and twelve weeks, at their Bloemfontein Training College or at a designated training store in their appropriate region. This basic course teaches the franchisee and manager how to perform every aspect of the business. “You cannot manage an outlet successfully if you do not understand the intricacies of what your waiters or grillers do every day,” says Britt Fuller, Spur’s national training manager (Spur Steak Ranches 2002:29).

At BJ’s huge emphasis is placed on the success of franchisees. Training of the highest standard is offered to the BJ’s franchisee (Butterfield breaking new ground 2002:44).
2.2.10. Supporting Franchisees

The constructive support of franchisees is essential for the efficient operation and ultimate success of a franchise system. The franchisor must develop and maintain a support structure, which will satisfy the needs of each franchisee (Niemand 1998:104).

Franchisees normally require support in the following areas:

- Initial training to instil confidence;
- Assistance in setting up the business;
- Ongoing support such as market information, product development and procedures.

The first step in supporting franchisees is that the franchisor establishes a support infrastructure dedicated to franchisee care. Its development can be costly. Starting up a franchise may not leave funds available for such a service. The franchisor needs to weigh up the provision of the service against the cost of the service. It will be up to the franchisor to provide the support to the franchisee (Niemand 1998:105).

The start-up and ongoing support of the franchisee is essential for efficient operation and ultimate success of a franchise system. The franchisor is responsible for developing and maintaining a support system, which satisfies the needs of each franchisee (Niemand 1998:99).

The franchisor must ensure constant effective communication with all franchisees. The chronology associated with store development establishes the critical path of service support. Starting with an intimate internal understanding of the primary target audience. There must be a specifically documented guideline on acquiring (through lease or purchase) an outlet location that allows the franchisee to reach the customer (Birley and Muzyka 2000:63).
The franchiser must then provide the blueprint to guide the construction and fitting out process. While the facility is being built, the business format must be taught to the franchisee. The training mechanism must be in place (Birley and Muzyka 2000:63).

The franchisor will run local and national advertisements and ensure that the important field of public relations is taken care of. The franchisor must exploit new sources for quality materials and supplies in order to keep costs at the most economical level possible (Mendelsohn 1979:76).

Derek Smith, Managing Direction of Hot Dog Café stresses that the most critical aspect of any franchise opportunity is the level of support offered by the franchisor. He goes further to say that it is never viable for a franchisor to send a franchise consultant to advise individual franchisees. Franchising is only viable if the franchisor is able to offer a level of support that allows the franchisee to be competitive (Expert the best from Hot Dog Cafe 2003:85).

2.2.11. Financial Aspects

a. Pilot Operation

The importance of setting up a pilot operation has been established. It is important to prove to the franchisee that the business system works but also to prove the financial viability of the prospective franchise business. The cost of setting up the pilot operation however weighs on the franchisor and would be those costs normally associated with starting a new business (Niemand 1998:115).

The viability study will assist the franchisor in determining the capital requirements of setting up the pilot operation (Niemand 1998:115).

b. Determining the Franchise Fees

It is advised that, when determining the fee structure, the franchisor consider the financial viability of the franchise scheme from both a franchisor and
franchisee’s perspective. Collins (1995:80) as quoted by Niemand recommends that all financial projections should be prepared for at least a three-to five-year period to ensure that a fairly representative picture of the business is obtained (Niemand 1998:118).

The following aspects need to be addressed when determining the franchise fees:

i) **The initial franchise fee.** The initial fee is usually payable on signing the franchise agreement and is usually a non-negotiable, once off lump sum. This fee would entitle the franchisee to the intellectual property rights of the franchise. The initial fee will assist the franchisor in developing the franchise network. The franchisor should not try to profit from this fee but merely aim to recoup the direct and indirect costs involved in setting and developing the franchise programme. The initial fee will become a major source of income for the franchisor, as the number of franchisees grows (Niemand 1998:118).

ii) **Ongoing fees / Royalties:** The franchisor will charge the franchisees an on-going management fee or royalty to provide the franchisees with training, on-going general support and advertising. This fee will become a regular flow of income for the franchisor. The franchisor will estimate the cost of the ongoing services, which he/she will provide the franchisees to determine the royalty fee. Royalty fees are usually based on a percentage of the franchisees gross turnover. In South Africa methods such as a fixed fee, a percentage of operating profits and a levy on the stock supplied to the franchisees by the franchisor have been used. The franchisor should expect a fair return on investment, whichever method is used (Niemand 1998:121).

iii) **Sale of products and discounts.** Manufacturing or wholesale franchises can use a mark-up on products supplied to franchisees as a source of income. Discounts from suppliers for business generated
by the franchisees can also be a source of income. The Code of Ethics of the Franchise Association of Southern Africa (FASA) states that FASA member must disclose any confidential discounts or rebates received on behalf of the franchisees (Niemand 1998:122).

iv) Advertising contributions. Marketing the franchise does require a centralised fund. Franchisees usually contribute either a percentage of turnover or a fixed fee to this fund. Should no such contributions be made by the franchisees, advertising costs are carried by the franchisor as part of the on-going support policy (Niemand 1998:122).

c. Sale of the Franchise Package

According to Niemand (1998:123) franchisors can structure the sale of the franchise package in one of the following ways:

i. Turnkey. The franchisors will set-up the entire franchise from location to shop fittings so that it is ready for the franchisee to occupy and start operations. The franchisor will build in a fee for his/her time.

ii. Equipment package. Franchisor can sell an equipment package to the franchisee after the franchisee has acquired the premises. A mark-up is built into the price.

iii. Equipment purchasing. Franchisor can supply the franchisee with a list of equipment needed for the franchise and the prescribed suppliers. The franchisor may earn either discount or rebate from the suppliers. The FASA Code of Conduct should be adhered to.

iv. Leasing the equipment. The franchisor can lease the equipment to the franchisee instead of the franchisee having to buy the required equipment. The franchisor will receive commission on the leased equipment.
2.2.12. Franchisor- Franchisee Relationship

The relationship between franchisor and franchisee is a special one and different to most business relationships. This relationship should be one of “trust, mutual interdependence and a shared desire for success and profitability” (Niemand 1998:129).

The franchisor-franchisee relationship in a specific sense describes the continuing relationship between the two parties following the acquisition of the franchise (Vaughn 1979:163).

Franchising can place special demands on the franchisee in terms of the relationship and the role that the franchisee plays. His role can be seen as somewhere between an entrepreneur and an employee. However, current trends in franchising are changing that role as the nature of the franchise industry is changing (Shivell and Banning 1993:4).

According to Mendelsohn, the basic relationship must be based on the following principles to ensure a smoothly operating franchise system (Niemand 1998:129):

- Respect by both franchisor and franchisee for the basic principles upon which the franchise system of marketing is based and which are the foundation of its success;
- Respect by the franchisee for the achievements and guidance which the franchisor provides – the franchisee may still challenge and question the franchisor, but should respect the ownership of the name, system know-how and practical experience upon which the franchise is based and all that such ownership implies;
- Respect by the franchisor for the achievements of the franchisees and the contribution to the system which each make, gained from their experience in running an operational unit.
Measures to initiate and maintain good franchisor-franchisee relations are instituted for a variety of reasons (Vaughn 1979:163), the most important ones being:

- To motivate franchisees to perform at a high level in terms of internal operations and of marketing;
- To facilitate the adoption of new ideas;
- To obtain new ideas from franchisees;
- To head off legal problems in the antitrust, trademark and trade name fields.

The maintenance of wholesome franchisor-franchisee relations goes simultaneously with good field supervision, and the type of supervision exercised. The franchisor’s initial field supervisor is a most important link in the franchise network (Vaughn 1979:163).

It can be said that communication, co-operation and a clear understanding of the relationship are the essential features of the franchise relationship. The franchisee must maintain communication with the franchisor and inform the franchisor when he/she experiences difficulties (Mendelsohn 1979:74).

The relationship becomes prominent once the franchisee has opened for business, as this is when the franchisee and franchisor commence their interaction. Initially the most obvious assistance that the franchisee would require is regular visits (Mendelsohn 1979:74).

The changing profile of the typical franchisee has been one of the factors that have brought about a gradual shift in leverage in the franchisor-franchisee relationship. The typical franchisee fifteen years ago was a gym teacher hoping to make extra income. Today franchisees come from the corporate world with MBA type backgrounds that are considered sophisticated people reliant on educated advisors (Buss 1999:1).
The purchaser of the franchise package in theory owns his/her own business, but in practice the franchise contract removes any creative freedom from the operation of that business (http://smallbusinessbc.ca/workshop/eureka1c.php 2000).

Independence from external control is often taken as one of the defining characteristics that separate small firms from the small units of a larger enterprise like franchises; and the self-employed from the directly employed (Jenkins and Poole 1990:261).

The problems of assessing the independence of the franchised small business are even more difficult to resolve than those connected with the conventional small business. Additional problems mainly arise because of the close and explicit link between franchisor and franchisee. To overcome these problems Stanworth, Curran and Hough (1986) as quoted by Jenkins and Poole (1990:262) suggest that franchisee independence needs to be examined from a formal and operational level.

Stanworth et al define the formal level, as the legal contract binding franchisor and franchisee. Close analysis at this level reveals a very comprehensive specification of the business relationship between franchisor and franchisee. In addition to setting out the exact nature of the services to be provided, payment levels, royalty charges, and the basis of their calculation, the contract also includes other more restrictive clauses (Jenkins and Poole 1990:262).

On the operational side of the franchise agreement, research measured the extent of the franchisee’s operational freedom by using the yardstick of frequency of contact. Almost 35 % of franchisees reported contact with their franchisor as occurring at least once a week, most of which were franchisee-initiated rather than franchisors exercising a more explicit supervisory role. Similarly with franchisor visits to the outlet; less than 10% were visited on a monthly or bi-monthly basis. The figure signifies close supervision (Jenkins and Poole 1990:263).
On this basis the originators of the formal/operational approach according to Stanworth (1986:54) have reached the conclusion that, although a portion of a franchisee’s independence has been traded for an element of security and support, those seeking to promote the small enterprise in society can legitimately include the franchised outlet among the alternatives to be realistically considered (Jenkins and Poole 1990:263).

Ken Rowland of MaggieMoo is of the opinion that companies in franchising that are in it for the long term must build solid relationships with franchise owners from the start. For him the franchisor/franchisee relationship is the most important aspect of franchising. His advice is to treat franchisees like the business partners that they are. Listen to them and put systems in place to ensure success (Scott 2001:26).

2.3. CHARACTERISTICS OF A GOOD FRANCHISE

It is not advisable for a prospective franchisor to set up a business, which has no distinctive features. All successful franchises are to be distinguishable from similar business in some way. Each franchise has its own novel gimmick, which distinguishes it from other similar businesses (Mendelsohn 1979:59).

The potential franchisor should develop operational procedures that suit the franchise best so maximum benefit is obtained from the most economic use of resources. Possible ways should be developed to standardise business procedures, so that performance of the business can be monitored carefully (Mendelsohn 1979:59).

The franchisor should, whist developing this aspect of the business, become aware of areas of weakness that could prove an obstacle for business success so that they may be avoided when the business comes to be franchised (Mendelsohn 1979:59).
The franchisor should be mindful what the franchisee is looking for in a franchise. Ideally the franchisee would like a license to carry on a business under a successful method. The method must be successful. The trade name and as many aspects of the ‘package’ as possible must be protected. Undoubtedly one of the most important things licensed by the franchisor is the right to carry on the business under the mark or name belonging to the franchisor (Adam and Prichard 1987:112).

2.3.1. Trademark / Logos
Established and reputable franchisors usually invest great effort and considerable money to create the images that are represented by their trademarks and logos (Shivell and Banning 1993:46).

The trademark and logos are the franchisor’s most important and effective marketing tools as they create the expectation by the customer that the product and service will be consistently good regardless of location (Shivell and Banning 1993:46).

The franchisor empowers the franchisee by granting use of the highly prized emblem and it is expected that the franchisee will respect what the mark represents. It is normal for a franchisor to enter into an agreement with a franchisee that fanatically guards the image of the trademark and logo (Shivell and Banning 1993:46).

The franchisor understands the primary reason for a franchisee wanting to purchase a franchise, is the right to associate with the company’s name. The more recognised the name, the more likely it will draw customers who know its products and services. Therefore, when setting up the franchise consider the following from the franchisees perspective (http://www.ftc.gov/bcp/conline/pubs/invest/buyfran.htm 2001):

- The company’s name and trademark and how widely recognised they are;
- How long the franchise has been in operation? From this angle alone it is important that a pilot operation has been in existence and has traded for longer than a year;
- The company’s reputation for quality products or service;
- Have any complaints been filed against the company?

A major advantage to franchise ownership is that much of the work in image building and customer relations has already been accomplished either via the pilot operation or other established franchisees. Image building is a continuous and never ending process that in most retail franchises depends on the continuing relationship between the employees and the customers (Shivell and Banning 1993:81).

Foster (1988:10) points out an obvious advantage of a franchise over other independent small businesses, namely the cooperative nature of the business. The franchise trade name, product or service, and the combined purchasing power of all the outlets in the system place the franchise owner on par with industry giants. A franchisee, as a result, is generally more competitive, more recognisable and more profitable than other small business owners in his trading area (Foster 1988:10).

Trade marks, trade names, copyright, patents, knowledge, business systems, goodwill and going-concern value can all be considered as intangible capital. This intangible capital provides returns in the form of amounts realized for sales of franchises to franchisees and in the form of royalties from franchisees under the franchise agreement (Mundstock 1990:ii).

It is important for a trademark to be ‘clever’. An effective trademark will require less effort the trademark owner will have to make to get his/her message across to the consumer (Hart and Murphy 1998:73).
Financial director, Dean Hyde says, “Spur is inherently risk-averse by the standards of most business”. Their greatest risk lies in the possibility of individual franchisees being profitable not because of the strength of the brand, but because of the gearing of an outlet is too high (Spur Steak Ranches 2002:16).

FASA (1995:37) recommends that the trade name and mark be registered with the registrar in accordance with the Trade Mark and Patent Act by the franchisor. In this way the franchisor is guaranteed protection of the trademark and logo. The franchisor should register the trademark and name in every country likely to become a target for operations in the future.

2.3.2. Product/Service Quality

Product and service quality is probably the most important issue in the franchisor-franchisee relationship. The ability of everyone in the system to deliver high-quality products and service that are fully consistent with the standards of the franchisor is what franchising is about. “Most franchises are critically dependent on repeat customers because of the nature of its products and services and its limited market areas; consequently, the franchisor needs to insist on very tight quality control procedures and standards” (Shivell and Banning 1993:46).

Franchisees at times resent these efforts as being excessive. The entire issue of quality control again “centres on the role of franchisees and their ability and willingness to act as members of a team rather than maverick entrepreneurs” (Shivell and Banning 1993:46).

Successful businesses are generally good at brand development. It is can be regarded as part of the life-blood of the organisation and failures are regarded as an opportunity to learn (Hart and Murphy 1998:24).

The key to successful new product development is to identify an unmet need or desire. Consumers may not necessarily be aware of this need, but can immediately
see the potential benefit when the idea is put before them (Hart and Murphy 1998:26).

Consumers will not change their brands if a new product is a mere copy. It is important that the product offered is different either in reality or perceptually from what is currently on the market (Hart and Murphy 1998:27).

Once this need is identified and marketed, it is important that the quality standards established are maintained, as the “mobile American consumer has come to depend on and appreciate the consistent quality of franchised products and services. Today, no matter where you go, people expect and want the same quality, which is why consumers shop at franchised establishments. The ability to easily recognise a franchised store, from the outside guarantees there will be no surprises on the inside. Quite simply, the public knows it and wants it that way” (Mendonça 2003: 57).

Constant product development and the pursuit of high standards is a key component of the Spur success formula and are followed up in every aspect at Spur franchises (Spur Steak Ranches 2002:16-27).

2.4. GENERIC STEPS IN MANAGING A FRANCHISE

The nature of managing a franchise operation differs considerably from that of managing a subsidiary or a retail unit in a multiple operation. The franchisee and the franchisor enter into a formal written agreement. The franchisee contracts to operate the franchise in a prescribed way and remunerates the franchisor with a capital sum, a royalty or by agreeing to purchase product for resale. The franchisor, in return, provides training, brand support, consultancy and exclusivity of territory (McGoldrick and Davies 1995:153).
Missed market opportunities have prompted some franchisors to take a more active involvement in their franchisees’ businesses, either through take-overs, a tightening of the franchise relationship or both (Felstead 1993:158).

Felstead (1993:158) reports further that franchise arrangements have replaced tenancies as the most popular form of ‘arm’s length’ management.

Changes in the commercial environment force the franchisees to adjust, contradicting the nature of the franchise relationship (Felstead 1993:159).

Shivell and Banning (1993:2) maintain that a key success factor in franchising lies in the degree of influence and control that the franchisor exercises over the franchised outlets. The franchisor should establish the franchise whereby maximum influence and control can be exercised without infringing on the franchisee’s independence.

More recently, several franchisors have sought to mould their franchise networks to meet the changing commercial environments (Felstead 1993:157).

The key to juggling franchise units is the ability to delegate the daily operations to well-trained managers and paying attention to details especially service (LaGrassa 2001:42).

2.4.1. The Relationship
The key to any franchise is the franchisee. There would not be a franchise system without a franchisee. The most obvious and important aspect of managing a franchise is maintaining a good working franchise relationship.

One of the first aspects of managing a franchise relationship and avoiding the build-up of excessive franchisee dissatisfaction lies in careful, initial selection of franchisees. The franchisor should develop an ideal franchisee profile as a
guide against which prospective franchisees can be compared to in order to determine whether they appear to be suitable candidates (Hall and Dixon 1991:72).

The franchisor can attempt to prevent the development of dissatisfaction by constantly motivating the franchisee and reminding him/her of the importance of maintaining a good working relationship for the continued franchise success. This will often quell a dissatisfied franchisee that will then resume successfully to running the business outlet (Hall and Dixon 1991:72).

The franchisor can attempt to anticipate and avoid the problem of dissatisfaction by offering the franchisee the opportunities and incentives like opening a second franchise once he has fully mastered the operation of his first outlet (Hall and Dixon 1991:72).

The franchisor as a significant role player needs to maintain the franchisees interest in the franchise. The franchisee should experience an increased feeling of satisfaction and independence with reduced frustration at the level of control that is exercised by the franchisor (Hall and Dixon 1991:72).

The International Franchising Association (IFA) emphasises the trust and honesty aspect of the franchise relationship upon which franchising can successfully be regarded as a business growth strategy (Franchising World 2001:37).

The IFA believe that franchising is a unique form of business relationship that embodies such a significant degree of mutual interdependence and like Mendelsohn (1979) believe that to be successful, this unique relationship requires continual and effective communication between franchisees and franchisors (Franchising World 2001:37).
Both franchisees and franchisors, to maintain this unique relationship, need to commit to establishing and maintaining programmes that promote effective communication within the franchise system (Franchising World 2001:37).

The Spur franchise uses the company’s intranet to continually exchange information among and between the franchisees and management keeps everyone up-dated on latest developments. It allows the franchisees to compare the performance of their franchise to the other Spur franchise (Spur Steak Ranches 2002:11).

Mark Farrelly, Spur’s deputy managing director points out that “the Spur group is operations driven” and “everything else is support” (Spur Steak Ranches 2002:11).

Peter Wright, Spur’s Human Resources manager, in a Succeed Special Edition (2002:19) interview stated that they provide the franchisees with the toolboxes they would need to reach their full potential. But it is through communication that needs are identified and met. “Communication is the cement that ensures that everyone’s efforts are pointed in the same direction”.

Bibby, a franchise expert when asked how franchisors can monitor the management styles of franchisees responded: first you look at control in general which is a critical factor whether you are operating domestically or internationally (www.bison.com 2002). The franchisor should have control over the ‘continuity and uniformity’ of the franchise operation and products/services. They are the result of constant training, review, supervision and care. The best franchises spend significant percentages of their people and financial assets to ensure similarity across their network and they do so for several reasons, not the least of which is customer satisfaction (Bibby 2002).

Control is a major insurance for guaranteeing both ‘continuity and uniformity’ and is a necessity in every franchise. A lack of monitoring and control leads to misuse of
a franchised system. The franchisor, who is most concerned with long-term success, will create and use adequate programmes to reach quality goals and objectives (Bibby 2002).

Rosenfeld's opinion on franchise management styles is that the selection process should be considered an important step to eliminating the maverick type franchisees. Training is another aspect to controlling management styles of franchisees. Regular site visits should take place. The franchisor will have first hand knowledge of the franchisees performance. Incentives are powerful tool to motivate franchisees to strictly conform to the franchisor's management styles (Rosenfeld 2002).

2.4.2. Joint Consultative Committees

Many franchisors acknowledge that there may be an imbalance in the relative power of the two parties to the franchise agreement and have anticipated the dissatisfaction that this may cause. A method of limiting this dissatisfaction is though a joint consultative committee (Hall and Dixon 1991:74).

A joint consultative committee consists of representatives for both the franchisor and the franchisee. Ideally the franchisees' representative should be elected by the franchisees themselves. The explicit objectives of these committees are usually to (Hall and Dixon 1991:74):
- Promote two way communications;
- Involve franchisees in decision making;
- Encourage feedback of complaints, opinions and suggestions concerning new and exciting methods.

2.4.3. Location Selection

Location selection is a very important aspect of any business, however very few of the writers used in this paper made reference to it. FASA (1995:112) spell out
exactly what should be undertaken by the franchisor when selecting a location for both the pilot and the franchisee owned operation.

The most important factors to remember when selecting a location are:

- What is the target market at which the product or service is to be directed? In terms of the target market one needs to know the age bracket, sex, race, income level and disposable income;
- Into which market segment does the product or service ‘fit’? With regards to the market segment one needs to know which segment of the retail business the product ‘fits’? Who else operates in this segment? And who is the brand leader?

The franchisor, with this information, is able to begin the process of site selection. The depth and intensity of such an evaluation will depend on the location of the potential site. Site selection should be part of the franchisor’s support to the franchisees. A research study into franchise operations indicated that site selection services provided by franchisors were rated as a key ingredient of the franchise system (FASA 1995:113). One cannot overstate the importance of site selection based on the result of that research.

For every potential site the franchisors must collect the following information before a decision is taken:

- Population figures of the catchment area;
- Breakdown of population figures by age, race and sex as well as average annual income levels;
- Is the site on a main route?
- Is the catchment area industrial, commercial or residential or a mixture?
- What other factors are present that could positively or negatively affect the site for example competitors, new developments, road change, etc.?
- Traffic counts either pedestrian foot traffic or motorist traffic counts.
Much of the above information can be obtained from the local municipalities, property brokers, and property developers. The information obtained is compared to the data on the desired consumer base for the franchise (FASA 1995:113):

- Does the age, sex, income level, etc. of the area match the age, sex and income of the target market?
- Is the income level of the site area adequate for the target market for which the franchise wishes to attract?

Should the site match the required target market- and location demographics negotiations can begin on the leasing and rental terms (FASA 1995:113).

Butterfield’s development director, Christo Jansen’s bad location experience has led him on a mission of discovering what makes a location ‘good’? He will search for the best possible site and would rather have the new franchisee wait rather than accept a second rate site. For Jensen this aspect of the business is vital (Butterfield breaking new grounds 2002:36).

Apart from the normal prerequisites like high foot count and high visibility, Jensen investigates the profile of the average person walking the site; their buying habits; the routes they walk and what else is on these routes. Once satisfied that the site investigated meets with his approval, the franchisee is invited to approve the site for the new Butterfield franchise. Upon approval, Jensen will then start negotiations with the landlord (Butterfield breaking new grounds 2002:37).

### 2.4.4. Franchise Team

Both Murray Mead, CEO of Quik Internet International and Plant Smoothie’s chief franchise development officer, Karen Spencer advice to managing a franchise network is to build up a good franchise team. They continue, when franchisors start to franchise, they will typically use internal resources, rather than bring in a team with franchisor strength. Ironically, once they become profitable do the franchisors consider the possibility of bringing in experts (Scott 2001:26).
Spencer recommends that before a franchisor starts to franchise he needs to ‘put together’ a franchise team. This team should include a senior manager who understands how to market the franchise concepts nationally. It should also include trainers who know how to open units and work with new franchisees, sales people who can close a sale and a financial expert (Scott 2001:26).

Jack Farland of Fit America advice to new franchisors especially novices is to seek financial and legal expects, they have the expertise to guide the franchisor (Scott 2001:26).

Karen Spencer suggests that new franchisors should join the franchising association. The association provides a great support system for both the franchisor and franchisee (Scott 2001:26).

Companies seriously considering franchising are well advised to seek the counsel of knowledgeable franchise professionals prior to initiating any franchise efforts (http://www.ifranchise.net/Index.cfm?Container_Id=286 2003).

If an entrepreneur wants to franchise his business everything has to organise in a logical, sequential manner according to Bob Kushell founder of Glen Cove in New York (Shakespeare 1995:3).

The franchisor’s team needs to possess a broad working knowledge of the business world. Franchisees will rightly want the franchisor to have sufficient experience to advise and guide them during difficult periods. It is important that the franchisor has traded via his outlets to develop experience (Maitland 1991:20).

The strength of Spur’s operation is built on highly effective administration and on the tremendous energy that is the hallmark of the Spur team according to the Mark Farrelly, Spur’s deputy managing director (Spur Steak Ranches 2002:11).
Spur is an entrepreneurial business and at the beginning of each year a strategy document is drawn up to guide the management team through the 12 months ahead. New circumstances affect the trading environment and decisions are made to adjust to them. Implementation is immediate. It is this flexibility that keeps Spur competitive. No decision is inviolate and the only thing that is sacred is the well being of the company’s brand (Spur steak Ranches 2002:11).

2.5. SUMMARY

In this chapter the fundamental steps of starting a franchise, characteristics of a franchise and generic steps to managing a franchise was researched.

Franchising is merely a way of doing business and not a way of fixing business ills (FASA 1995:7).

A franchisor has made the decision to franchise the business he/she should understand that at the very foundation of every franchise there must be a successful business or idea.

The success elements (systems, procedures and recipes) of this business must be analysed, honed to perfection and compiled into a detailed blueprint, so that the future franchisees can emulate the success, literally in a step-by-step fashion.

An infrastructure should be in place to recruit and select franchisees, train the franchisees in the use of the blueprint (complete operations manual) and to guide them towards continued success in the business throughout the duration of the franchise agreement.

In the next chapter the research methodology to be used for the empirical study will be discussed.
CHAPTER 3
RESEARCH DESIGN AND METHODOLOGY

3.1. INTRODUCTION

In the previous chapter the literature research revealed that certain steps have to be taken to franchise a business and that each step forms an integral part of the franchise system. This chapter describes the dynamics of research and explains the methods and strategies used to research the problem and sub-problem statements set out in this paper.

As the research focus is to develop a model, it is assumed that the research strategy will lean towards triangulation with the primary research methodology focused on quantitative research and secondary research on qualitative research.

3.2. WHAT IS RESEARCH DESIGN?

3.2.1. The Concept of Research

The definition of ‘research’ according to the Oxford dictionary (1984:634) is the systematic investigation into and the study of materials and sources, et cetera to establish facts and research new conclusion.

Leedy (1993:11) views research as a “studious inquiry or examination, especially a critical and exhaustive investigation or experimentation having for its aim the discovery of new facts and their correct interpretation, the revision of accepted conclusions, theories, or laws in the light of newly discovered facts or the practical application of such conclusions, theories, or laws”.

These definitions highlight three main points of research, namely a systematic approach, the discovery of facts and the interpretation of the facts discovered.
3.2.2. The Concept of Design

The definition held by Mouton (2001:55) is that a research design is a plan or blueprint of how the researcher intends to conduct the research. Research methodology is the systematic, methodical and accurate execution of the design.

Research design is to the strategy to integrate the different components of the research project in a cohesive and coherent way. It is a means to structure a research project to address a defined set of questions (Sydenstricker-Neto 1997:3).

Smit (1995:15) defines research design as including the plan, structure and strategy of the research. He further names the objectives of a research design as:

- To control the answers to research questions/variance;
- To eliminate or balance out variances that may have a differential effect on the research result.

These should ensure unambiguous interpretation of the results. The research design enables the researcher to obtain scientifically valid answers, unaffected by interference variables (Smit 1995:15).

The researcher, according to Smit (1995:15), will naturally implement the research design that is be of the greatest value to his/her research, and that best fits his theoretical orientation.

Trochim (2002:1) describes three major types of research designs that the researcher can use, namely:

- Randomised / true experiment, in which random assignment is used to select from groups;
- Quasi-experimental design uses where either multiple groups or multiple waves of measurement are used;
Non-experimental design would use neither multiple groups nor multiple waves of measurement. This threefold classification is useful for describing the design for internal validity. Randomised experiment is the strongest, of the three designs, when trying to establish a cause-effect relationship (Trochim 2002:1).

A research design devised in a more “traditional” fashion, will contain the following according to Leedy (1993:128):

- Sampling criteria: What are the data needed?
- Size of sample: Where are the data located?
- Measures for all variables;
- Data collection methods: How will the data be secured?
- Data analysis techniques: How will the data be interpreted?

Different models for research design can be distinguished (preliminary study, generalisation, elaboration, triangulation) which combine qualitative and quantitative steps of analysis. An extended process model, which combined qualitative and quantitative research is appropriate and leads to an integration of the two approaches, where the logic of research is concerned. (Mayring 2001:1).

It is important to develop a thorough “case study protocol” before entering the field. This will include all the questions and the research problems these questions were meant to measure or document (Witt 2001:10).

3.2.3. Validity and Reliability

The researcher of a project wants to ensure the quality of the research work is deemed acceptable by other social scientists and the evaluation community. The researcher needs to consider the validity and the reliability aspect of the research undertaken.
Reliability is the extent to which a test or procedure produces similar results under constant conditions on all occasions (Bell 1999:103).

The validity aspect concerns itself with the effectiveness of the measuring instrument in research. An unreliable item lacks validity, but a reliable item does not imply validity (Bell 1999:104).

Witt (2001:11) points out "it need not be antithetical to the creative aspects of qualitative analysis to address issues of validity and reliability".

The ‘theory of validity’ is an approach to evaluate by which many researches set their standards. Some writers distinguish between three components of validity. LaPolt (1997:1) feels that there are four types of validity, which cumulatively contribute to the validity theory, namely: conclusion validity; internal validity; construct validity; and external validity.

**Conclusion validity** addresses the question of determining the relationship exists between two items. In terms of research, this is the determination of the existence of a relationship the research being conducted and the results observed (LaPolt 1997:2).

Research being conducted to actually prove that there is a relationship between the research conducted and its outcomes, thereby establishing conclusion validity (LaPolt 1997:4).

LaPolt (1997:4) names three ways to improve the likelihood of conclusion validity:

- Ensure reliability;
- Properly implement all testing procedures;
- Establish good statistical power.

**Internal validity** proves that it is the research being conducted that makes a difference. There are many threats to internal validity, all of which need to be
addressed. One of the single group threats is history. The fact that life brings new things into people's lives daily can affect the internal validity of the research (LaPolt 1997:4).

**Construct validity** determines if only the research conducted and nothing else is influencing the stakeholders (LaPolt 1997:4).

**External validity** deals with how generalised the study findings are? Can the conclusions of the study be generalized to a larger population of people? Are the results representative of only the people who participated in the evaluation or is the information you collected applicable to a larger part of society? (LaPolt 1997:4).

### 3.3. METHODOLOGICAL APPROACHES

#### 3.3.1. Introduction

Research has traditionally been classified into two types, pure and applied. This distinction implies that pure research supplies the theories and applied research uses and tests them in the real world (Phillips and Pugh 1994:49).

The distinction is too rigid to characterise the process in most academic disciplines, therefore Phillips and Pugh (1994:49) have defined a threefold classification of research:

- **Exploratory**: Research under this classification addresses issues about which very little is known. The research idea cannot be formulated very well. It may be a theoretical research or have an empirical basis;
- **Testing-out**: In this type of research, the limits of previously proposed generalisations are found. This is a basic research activity (applied research);
- **Problem solving**: This type of research starts with a particular problem in the ‘real world’ and brings together all the intellectual resources that can be
brought to bear on its solution. The problem is defined and the method of solution has to be discovered.

These apply to both quantitative and qualitative research methods. When combining the use of quantitative and qualitative approaches, the weaknesses of one methodology can be overcome by the strengths of the other. In this manner quantitative changes can be better understood and given additional validation through qualitative data (Dunnagan, Peterson, and Wilson 1997:6).

3.3.2. Quantitative Research

Quantitative methods may be regarded as the scientific approach to managerial decision-making. Quantitative methods concern the processing and manipulation of unprocessed data into meaningful information (Redelinghuis, Julyan, Steyn and Benade 1989:4).

Quantitative methodology constructs hypotheses and tests them against the hard facts of reality. The null hypothesis is most often tested. The researcher decides from the onset, which factors may cause certain results and executes tests to either support or reject the null hypothesis at some level of statistical probability (Leedy 1993:143).

Quantitative research methods are helpful in explaining what changes have occurred, and the direction and magnitude of the changes at the individual, group, and organizational levels. Quantitative research allows the researcher to acquire data from a large number of subjects to a limited set of questions through standardized measures that are easily categorized. This process allows for statistical manipulation of data and ‘generalizability’ of the results to a variety of relevant areas (Dunnagan, et al 1997:7).

The following requirements have to be met, to be able to apply quantitative methods:
The problem must be properly defined;
- Analysis of such problems must be meticulous and comprehensive;

3.3.3. Qualitative Research

“Qualitative research approaches have traditionally been favoured when the main research objective is to improve the understanding of a phenomenon, especially when this phenomenon is complex and deeply embedded in its context” (Dunnagan, et al 1997:7).

Qualitative research methodologies and techniques have helped researchers get a better understanding of a variety of management situations. Qualitative research has grown beyond its original scope of qualitative data collection. A consensus has yet to be reached to determine its exact boundaries and the main components of its design (Dunnagan, et al 1997:9).

Qualitative data is usually collected through interviews, focus groups, direct observation, and written documents. It is effective for determining why and how changes have taken place. These methodologies allow the researcher to study a selected issue in depth (Dunnagan, et al 1997:9).

Qualitative analyses are based upon certain themes of inquiry:
- First, it involves naturalistic inquiry where real-world situations are examined as they unfold rather than examining information based on predetermined constraints;
- Second, it involves inductive analysis where theories about what is happening in a setting are rooted in direct research experience, rather than
Qualitative methods produce greater detailed information from a much smaller sample size, which is purposefully not randomly selected. This increases understanding of the research, but reduces its “generalizability” to other research settings and conditions (Dunnagan, et al 1997:9).

Qualitative research depends upon the skill and competency of the researcher rather than a carefully constructed research instrument. This can create a reliability problem. The insights and knowledge gained can offset this limitation (Dunnagan, et al 1997:10).

3.3.4. Triangulation

Bell (1999:102), describes triangulation as “cross-checking the existence of certain phenomena and the veracity of individual accounts by gathering data from a number of informants and a number of sources and subsequently comparing and contrasting one account with another in order to produce as full and balanced a study as possible”.

Bell quotes Cohen and Manion (1994:240) who expand the issue further. They state that multiple methods measure and investigate factors like “academic achievements, teaching methods, practical skills, cultural interests, social skills, interpersonal relationships, community spirit and so on” (Bell 1999:102).

Leedy’s (1993:143) guide to implementing triangulation:

- Theoretical triangulation involves the use of several frames of references or perspectives in the analysis of the same set of data;
- Data triangulation attempts to gather observations through the use of a variety of sampling strategies to ensure that a theory is tested in more than one way;
Investigator triangulation is the use of multiple observers, coders, interviewers and or analysts in a particular study; Methodological triangulation is the use of two or more methods of data collection procedures within a single study.

3.4. CHOOSING THE MOST APPROPRIATE RESEARCH METHOD

Little instructions exist to guide the researcher through this methodological maze. Some researchers will view this as an opportunity for innovation, an opportunity to "break the mould" and conceive a research strategy that meets the researcher's specific needs and objectives (Dunnagan, et al 1997:11).

Quantitative and qualitative methodologies have their own particular strengths and weaknesses. Together the methodologies can strengthen research evaluation. For example, if a traditional research design is compromised by contextual factors, a qualitative technique such as participant interviews can be used to establish the research interventions. This would enhance the validity of any causal inferences made in relation to programmatic interventions and outcomes that were identified in the quantitative analysis. Furthermore, the interview could be designed to identify the specific research components that were responsible for the changes (Dunnagan, et al 1997:11).

Interviews and questionnaire are used to determine if the literature describes the steps required to successfully franchise a business. The interview protocol compromises a series of open and closed-ended questions, which addresses the main and sub-problems as set out in this paper.
Examples of open-ended questions include (a) What would you consider to be important steps when franchising a business? (b) How do you determine an area when franchising? (c) What problems were experienced in the process of franchising? See Annexure C for the interview questions asked.

### 3.5. RESEARCH GOALS AND STRATEGIES

#### 3.5.1. Research Goals

Two objectives were identified at the beginning of this research paper: first, to be able to test the literature found against the results from the study and, second, to create the best possible franchise model based on the findings.

#### 3.5.2. Research Strategies

Experiments enable a greater understanding of the relationship between a causal hypothesis and a particular phenomenon of theoretical or practical interest (Abrahams 2003).

In order to have this understanding the researcher needs to decide on the best research method to use. The random experimental design is the preferred method of research for research and evaluation (Abrahams 2003).

This method provides the highest degree of control over an experiment, enabling the researcher to draw causal inferences with a high degree of confidence (Abrahams 2003).

The thick descriptive data produced by qualitative research, according to Cupchik (2001:29), can shape the choice of variables in quantitative research. The effects derived from experiments help reframe the problem and provide a new focus for an in-depth descriptive study. The potential interplay between these two approaches implies that they share many qualities in common as part of the research study.
The two approaches are both constructive, because they create data, and mutually constitutive reflecting the challenging interplay between words and “variables”.

3.5.3. Population / Sample

“A sample is a finite part of a statistical population whose properties are studied to gain information about the whole. When dealing with people, it can be regarded as a set of respondents selected from a large population for the purpose of a survey” (Mugo 2003).

Sampling is the act, process or technique of selecting a suitable sample. The purpose of the sample is to draw conclusions about the population’s characteristics by directly observing only the sample of the population (Mugo 2003).

The most representative samples will be those that are randomly chosen from the population (LaPolt 1997:4).

The sample for this research paper comprises of franchises registered with the Franchise Association of Southern Africa (FASA) and franchisors in the Nelson Mandela Metropolitan business area.

3.5.4. Selecting the Sample

“The desirability of a sampling procedure depends on both its vulnerability to error and its cost. However, economy and reliability are competing ends, because, to reduce error often requires an increased expenditure of resources” (Mugo 2003).

There are three primary kinds of samples:

- The convenient sample resulting when the more convenient elementary units are chosen from a population for observation;
- The judgement sample, which is obtained according to the discretion of someone who is familiar with the relevant characteristics of the population;
- The random sample, which allows a known probability that each elementary unit will be chosen.
From the random sample there are four types that can be used:

- A simple random sample is obtained by choosing elementary units in such a way that each unit in the population has an equal chance of being selected. The simple random sample is free from bias;
- A systematic random sample is obtained by selecting one unit on a random basis and choosing elementary units at evenly spaced intervals until the desired number of units is obtained;
- A stratified sample is obtained by independently selecting simple random sample from each population stratum;
- A cluster sample is obtained by selecting clusters from the population on the basis of simple random sampling.

The sampling for this study will be random, conducted by choosing franchise businesses from various industries in fast moving consumable goods.

3.5.5. Sample Size

The research needs to define the population from which the sample will be selected before being able to select the sample size (Mugo 2003).

For this research paper, the researcher is only interested in the franchise businesses in fast moving consumable goods in the Nelson Mandela Municipal Metropolitan area.

The sample size can be determined by various constraints, like funding, and the nature of the analysis (Mugo 2003).

The sample should be judged on the basis of the purpose and rationale for the research paper and the sampling strategy used to achieve the research purpose (Mugo 2003).
It was ascertained that there are 294 Franchisors of which 131 are listed with FASA. Of the total amount of franchisors, 236 operate as single-branded systems and 58 operate as multi-branded systems (http://www.fasa.co.za 2003).

The Eastern Cape has 7.9% of the franchised outlets in South Africa of the total 26,725 outlet-ownership according to the census carried out in 2002 (http://www.fasa.co.za 2003).

It is estimated that the NMMM houses 31 brands in the fast moving consumer goods sector of the 131 franchisors listed with FASA. The total population for the research paper on hand amounted to a 102 outlets.

It was decided that a census should be carried out on all the stores instead of randomly selecting a few stores for research purposes. Each store was contacted it was discovered that most of the franchisees owned multiple stores and some franchised stores were not franchisee owned but managed by the head office. These factors reduced the census size to 58 franchisee owned stores in the NMMM. Only 24 franchisees responded to the questionnaire.

### 3.5.6. General Procedure

The primary data was collected by means of questionnaires and interviews. The questionnaire and interview structure will compromise of four sections. The first section dealt with the franchise’s biography; the second section with the main problem; the third and fourth section with the sub-problems.

The questions are answered from either the franchisee or franchisor perspective. Interviews will be conducted mainly on franchisors in the NMMM area.

The secondary data used in this research paper was obtained from various sources in forms varying from articles to published books.
3.6. SUMMARY

In this chapter different research methodologies were discussed highlighting the research goals and strategies.

Ideally researchers would like to conduct quantitative research that adheres to the guidelines set down through traditional research paradigms. This approach would ensure internal and external validity. This option is not typically available to many researchers.

Combination of qualitative and quantitative research can provide an alternative solution to simplistic evaluations, which are of little use to the traditional research designs and are often problematic.

By combining the two approaches, qualitative results can be used to help validate quantitative results. The qualitative techniques enhanced the specificity and sensitivity of the evaluation. Quantitative method yield insights to the extent that evocative stimuli design are presented to relevant groups and the resulting statistical interactions tease out the underlying processes.

Together, qualitative and quantitative methods provide complementary views of the phenomena and efforts at achieving their reconciliation can elucidate processes underlying them.

In the next chapter the findings of the empirical study are presented.
CHAPTER 4
ANALYSIS OF EMPIRICAL INVESTIGATION RESULTS

4.1. INTRODUCTION

This chapter provides the analysis of the results of the empirical study. In the previous chapter the research methodology was discussed. This chapter will begin with the design of the questionnaire and the problems encountered with the investigation. The findings of the empirical investigation will be presented.

4.2. QUESTIONNAIRE DESIGN

The questionnaire is divided into four main sections. In the first section embodies personal information about the franchise and franchisee, to give the researcher a finer understanding of the franchisee answering the question.

The second section covers with the structure of a franchise. The researcher’s aim was to discover different franchises’ practice and what was perceived as being important by the different franchisees.

Section three, deals with franchise characteristics and the importance each franchise placed on their trademarks and products.

Section four deals with the management of franchises. The aim is to establish how franchisor managed franchised stores.

A copy of the questionnaire used in the study is attached as Annexure B and C.
4.3. PROBLEMS ENCOUNTERED WITH THE INVESTIGATION

The desire was to base this research on a solid structure, which would not hinder the exploration in the field. On the whole the research was completed with ease.

The respondents were initially contacted telephonically to obtain permission in answering the questionnaire that was faxed or e-mailed to them with a return date. All respondents contacted agreed to participate; but by the return date few questionnaires were returned.

Further contact was made via letter to the non-respondents. A few more questionnaires were returned. The basic feeling was that though the respondents were eager to participate, many had time constraints.

The interviews conducted were very informative but indicated a 'broadness' of the subject. This identified certain limitations in the questionnaire used, given the nature of the subject. A facet highlighted was that even though all the respondents were franchisees, one would have to distinguish between first time business owners (franchisees) and entrepreneurs.

The only problem experienced during the interviews was time. Due to the nature of the subject and the passion the interviewees have for franchising an interview would last for at least 2 hours, while the researcher had allocated 45 minutes per interview.

This endeavour has resulted in new insights and possible directions for future research.
4.4. PRESENTATION OF SURVEY FINDINGS

Twenty-four franchisees answered the questionnaire, twelve respondents were in fast foods, four respondents were in automotive parts sector, three in restaurant business, three in food retail and two in services.

Fourteen of the twenty-four franchisees owned the franchise store for less than five years; eight owned the franchise for less than ten years but more than five and only two had owned the franchise store for more than ten years. More than fifty percent of the respondents had owned their franchise for less than five years, but this did not indicate their actual franchise experience. Refer to Table 4.1.

TABLE 4.1: BUSINESS PERIOD OF FRANCHISEE

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 5 years</td>
<td>14</td>
<td>14</td>
<td>58.3333</td>
<td>58.3333</td>
</tr>
<tr>
<td>6 - 10 years</td>
<td>8</td>
<td>22</td>
<td>33.3333</td>
<td>91.6667</td>
</tr>
<tr>
<td>11 - 15 years</td>
<td>2</td>
<td>24</td>
<td>8.3333</td>
<td>100.0000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.0000</td>
<td>100.0000</td>
</tr>
</tbody>
</table>

4.4.1. Personal Information on the Franchisees

In section 1 of the questionnaire required, the respondents to provide personal details, such as age, gender and motivation for purchasing a franchise.

Twenty-one (87.5%) of the twenty-four respondents were males. Refer Table 4.2.

TABLE 4.2: GENDER OF FRANCHISEES
<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>3</td>
<td>3</td>
<td>12.5000</td>
<td>12.5000</td>
</tr>
<tr>
<td>Male</td>
<td>21</td>
<td>24</td>
<td>87.5000</td>
<td>100.0000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.0000</td>
<td>100.0000</td>
</tr>
</tbody>
</table>

More than 70% (or seventeen of the respondents) were older than thirty-six years of age. See Table 4.3.

**TABLE 4.3: AGE GROUP OF FRANCHISEES**

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 - 35 years</td>
<td>7</td>
<td>7</td>
<td>29.1667</td>
<td>29.1667</td>
</tr>
<tr>
<td>36 - 45 years</td>
<td>8</td>
<td>15</td>
<td>33.3333</td>
<td>62.5000</td>
</tr>
<tr>
<td>46+ years</td>
<td>9</td>
<td>24</td>
<td>37.5000</td>
<td>100.0000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.0000</td>
<td>100.0000</td>
</tr>
</tbody>
</table>

Eleven of the respondents (45.8%) had matriculation and thirteen of the respondents stated that they had a tertiary qualification (54.2%). See Table 4.4.

**TABLE 4.4: HIGHEST QUALIFICATION OF FRANCHISEES**

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matric</td>
<td>11</td>
<td>11</td>
<td>45.8333</td>
<td>45.8333</td>
</tr>
<tr>
<td>Degree/Diploma</td>
<td>12</td>
<td>23</td>
<td>50.0000</td>
<td>95.8333</td>
</tr>
<tr>
<td>Post graduate</td>
<td>1</td>
<td>24</td>
<td>4.1667</td>
<td>100.0000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.0000</td>
<td>100.0000</td>
</tr>
</tbody>
</table>

The researcher expected to find the ‘retrenchment’ reason to be substantially higher due to the unemployment rate and retrenchment that South Africa is experiencing. It only accounted for 12.5% (three respondents) of the reasons given. The large majority, namely fourteen respondents (58.3%) indicated their desire for self-employment as being the reason for owning a franchise. Refer to Table 4.5.
TABLE 4.5: MOTIVATION FOR PURCHASING A FRANCHISE

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retrenchment</td>
<td>3</td>
<td>3</td>
<td>12.5000</td>
<td>12.5000</td>
</tr>
<tr>
<td>Need for self-employment</td>
<td>14</td>
<td>17</td>
<td>58.3333</td>
<td>70.8333</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>24</td>
<td>29.1667</td>
<td>100.0000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.0000</td>
<td>100.0000</td>
</tr>
</tbody>
</table>

4.4.2. Aspects of Franchising

In section two of the questionnaire, the questions were directed at the franchise operation from the franchisee’s perspective.

a. ‘Franchisability’ of Product

The respondents were asked to rate, for the sustainability of the franchise, the nine aspects of franchising (excluding the financial aspect), franchisability of a product/idea was rated number one by eight respondents (33.33%); number two by three respondents (12.5%); and number nine by four respondents (16.66%). See Table 4.6.

TABLE 4.6: FRANCHISABILITY OF PRODUCT

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency table: Q2_9a</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
</tr>
<tr>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
</tr>
</tbody>
</table>

b. Operating Manual

Eighteen of the twenty-four respondents (75%) indicated that the operating manual was extremely detailed. See table 4.7. Twenty
indicated that they had a clear *understanding* of the operating manual. Refer to Table 4.8.

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely</td>
<td>18</td>
<td>18</td>
<td>75.000</td>
<td>75.000</td>
</tr>
<tr>
<td>Somewhat</td>
<td>5</td>
<td>23</td>
<td>20.833</td>
<td>95.833</td>
</tr>
<tr>
<td>Not detailed</td>
<td>1</td>
<td>24</td>
<td>4.167</td>
<td>100.000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.000</td>
<td>100.000</td>
</tr>
</tbody>
</table>

**Table 4.8: Understanding of the Operating Manual**

Sixteen responded (66.6%) that the operating manual was extremely useful. See Table 4.9. Eleven (45.8%) indicated that they would succeed by only using the operating manual. See Table 4.10. Yet when asked to rate the operating manual aspect of the franchise it was rated number one by only one respondent (4.166%).

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clear</td>
<td>20</td>
<td>20</td>
<td>83.333</td>
<td>83.333</td>
</tr>
<tr>
<td>Somewhat</td>
<td>4</td>
<td>24</td>
<td>16.667</td>
<td>100.000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.000</td>
<td>100.000</td>
</tr>
</tbody>
</table>

**Table 4.9: Usefulness of Operating Manual**
TABLE 4.10: USE OF ONLY OPERATING MANUAL TO SUCCEED

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>11</td>
<td>11</td>
<td>45.8333</td>
<td>45.8333</td>
</tr>
<tr>
<td>No</td>
<td>13</td>
<td>24</td>
<td>54.1667</td>
<td>100.0000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.0000</td>
<td>100.0000</td>
</tr>
</tbody>
</table>

c. **Franchise Agreement**

The franchise agreement is the governing document to the franchise relationship as there are no franchising laws. Eighteen of the twenty-four respondents indicated (75%) that their roles and responsibilities were extremely defined in the franchise agreement. Only one respondent expressed that his roles and responsibilities were not well defined. Refer to Table 4.11.

TABLE 4.11: ROLES AND RESPONSIBILITIES DEFINED IN AGREEMENT

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely</td>
<td>18</td>
<td>18</td>
<td>75.0000</td>
<td>75.0000</td>
</tr>
<tr>
<td>Somewhat</td>
<td>5</td>
<td>23</td>
<td>20.8333</td>
<td>95.8333</td>
</tr>
<tr>
<td>Not enough</td>
<td>1</td>
<td>24</td>
<td>4.1667</td>
<td>100.0000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.0000</td>
<td>100.0000</td>
</tr>
</tbody>
</table>

The agreement aspect of the franchise was rated number one by six of the twenty-four respondents. Refer to Table 4.12.

TABLE 4.12: RATING OF FRANCHISE AGREEMENT
d. Scrutinising of Franchisees

Fourteen of the twenty-four (58.3%) respondents indicated that they were ‘somewhat’ scrutinised by the franchisor/franchise team. See Table 4.13.

### TABLE 4.13: SCRUTINISING OF FRANCHISEES

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely</td>
<td>9</td>
<td>9</td>
<td>37.5000</td>
<td>37.5000</td>
</tr>
<tr>
<td>Somewhat</td>
<td>14</td>
<td>23</td>
<td>58.3333</td>
<td>95.8333</td>
</tr>
<tr>
<td>Not at all</td>
<td>1</td>
<td>24</td>
<td>4.1667</td>
<td>100.0000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.0000</td>
<td>100.0000</td>
</tr>
</tbody>
</table>

---

e. Training and Training Manual

Eighteen of the twenty-four respondents indicated that training of staff was extremely important for the success of the franchise, of which fifteen showed that training took place on a monthly basis. Refer to Table 4.14.

### TABLE 4.14: IMPORTANCE OF TRAINING

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely</td>
<td>18</td>
<td>18</td>
<td>75.0000</td>
<td>75.0000</td>
</tr>
<tr>
<td>Somewhat</td>
<td>6</td>
<td>24</td>
<td>25.0000</td>
<td>100.0000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.0000</td>
<td>100.0000</td>
</tr>
</tbody>
</table>
Both the training and the training manual aspect of a franchise was rated number one by only one respondent. Refer to Table 4.15.

TABLE 4.15: RATING OF TRAINING MANUAL

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
<td>4.1667</td>
<td>4.1667</td>
</tr>
<tr>
<td>2</td>
<td>1</td>
<td>2</td>
<td>4.1667</td>
<td>8.3333</td>
</tr>
<tr>
<td>3</td>
<td>1</td>
<td>3</td>
<td>4.1667</td>
<td>12.5000</td>
</tr>
<tr>
<td>4</td>
<td>4</td>
<td>7</td>
<td>16.6667</td>
<td>29.1667</td>
</tr>
<tr>
<td>5</td>
<td>3</td>
<td>10</td>
<td>12.5000</td>
<td>41.6667</td>
</tr>
<tr>
<td>6</td>
<td>3</td>
<td>13</td>
<td>12.5000</td>
<td>54.1667</td>
</tr>
<tr>
<td>7</td>
<td>7</td>
<td>20</td>
<td>29.1667</td>
<td>83.3333</td>
</tr>
<tr>
<td>8</td>
<td>3</td>
<td>23</td>
<td>12.5000</td>
<td>95.8333</td>
</tr>
<tr>
<td>9</td>
<td>1</td>
<td>24</td>
<td>4.1667</td>
<td>100.0000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.0000</td>
<td>100.0000</td>
</tr>
</tbody>
</table>

f. Franchisor Support and Franchise Relationship

Fourteen of the twenty-four (58.3%) respondents indicated that franchisor visits took place monthly. Seven indicated that quarterly visits were made and the remaining three respondents indicated that visits took place every six to twelve months. See Table 4.16.

TABLE 4.16: FREQUENCY OF VISITS BY FRANCHISE TEAM/FRANCHISOR

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly</td>
<td>14</td>
<td>14</td>
<td>58.3333</td>
<td>58.3333</td>
</tr>
<tr>
<td>Quarterly</td>
<td>7</td>
<td>21</td>
<td>29.1667</td>
<td>87.5000</td>
</tr>
<tr>
<td>Bi-annually</td>
<td>2</td>
<td>23</td>
<td>8.3333</td>
<td>95.8333</td>
</tr>
<tr>
<td>Annually</td>
<td>1</td>
<td>24</td>
<td>4.1667</td>
<td>100.0000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.0000</td>
<td>100.0000</td>
</tr>
</tbody>
</table>

Franchise support was rated number one by two respondents of the twenty-four as being an important aspect for the sustainability of the franchise. See Table 4.17.

TABLE 4.17: RATING OF FRANCHISE SUPPORT
The franchise relationship received more responses than franchise support. Of the twenty-four respondents, six indicated (25%) that the franchisee-franchisor relationship was extremely important for the sustainability of the franchise. Refer to Table 4.18.

**TABLE 4.18: FRANCHISE RELATIONSHIP RATING**

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>2</td>
<td>8.33333</td>
<td>8.3333</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
<td>5</td>
<td>12.50000</td>
<td>20.8333</td>
</tr>
<tr>
<td>3</td>
<td>4</td>
<td>9</td>
<td>16.66667</td>
<td>37.5000</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>14</td>
<td>20.83333</td>
<td>58.3333</td>
</tr>
<tr>
<td>5</td>
<td>3</td>
<td>17</td>
<td>12.50000</td>
<td>70.8333</td>
</tr>
<tr>
<td>7</td>
<td>1</td>
<td>18</td>
<td>4.16667</td>
<td>75.0000</td>
</tr>
<tr>
<td>8</td>
<td>3</td>
<td>21</td>
<td>12.50000</td>
<td>87.5000</td>
</tr>
<tr>
<td>9</td>
<td>3</td>
<td>24</td>
<td>12.50000</td>
<td>100.0000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.00000</td>
<td>100.0000</td>
</tr>
</tbody>
</table>

**g. Disclosure Documents and the Franchise Package**

Three of the twenty-four respondents (12.5%) rated the disclosure documents are being paramount with regards to sustaining the franchise. See Table 4.19.

**TABLE 4.19: RATING OF DISCLOSURE DOCUMENTS**

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>6</td>
<td>6</td>
<td>25.00000</td>
<td>25.0000</td>
</tr>
<tr>
<td>3</td>
<td>5</td>
<td>11</td>
<td>20.83333</td>
<td>45.8333</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>16</td>
<td>20.83333</td>
<td>66.6667</td>
</tr>
<tr>
<td>5</td>
<td>2</td>
<td>18</td>
<td>8.33333</td>
<td>75.0000</td>
</tr>
<tr>
<td>6</td>
<td>2</td>
<td>20</td>
<td>8.33333</td>
<td>83.3333</td>
</tr>
<tr>
<td>7</td>
<td>2</td>
<td>22</td>
<td>8.33333</td>
<td>91.6667</td>
</tr>
<tr>
<td>9</td>
<td>2</td>
<td>24</td>
<td>8.33333</td>
<td>100.0000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.00000</td>
<td>100.0000</td>
</tr>
<tr>
<td>Category</td>
<td>Count</td>
<td>Cumulative Count</td>
<td>Percent</td>
<td>Cumulative Percent</td>
</tr>
<tr>
<td>----------</td>
<td>-------</td>
<td>------------------</td>
<td>---------</td>
<td>-------------------</td>
</tr>
<tr>
<td>1</td>
<td>3</td>
<td>3</td>
<td>12.5000</td>
<td>12.5000</td>
</tr>
<tr>
<td>2</td>
<td>4</td>
<td>7</td>
<td>16.6667</td>
<td>29.1667</td>
</tr>
<tr>
<td>4</td>
<td>2</td>
<td>9</td>
<td>8.3333</td>
<td>37.5000</td>
</tr>
<tr>
<td>5</td>
<td>2</td>
<td>11</td>
<td>8.3333</td>
<td>45.8333</td>
</tr>
<tr>
<td>6</td>
<td>2</td>
<td>13</td>
<td>8.3333</td>
<td>54.1667</td>
</tr>
<tr>
<td>7</td>
<td>3</td>
<td>16</td>
<td>12.5000</td>
<td>66.6667</td>
</tr>
<tr>
<td>8</td>
<td>3</td>
<td>19</td>
<td>12.5000</td>
<td>79.1667</td>
</tr>
<tr>
<td>9</td>
<td>5</td>
<td>24</td>
<td>20.8333</td>
<td>100.0000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.0000</td>
<td>100.0000</td>
</tr>
</tbody>
</table>

The franchise package received two prime ratings for sustaining the franchise. Refer to Table 4.20.

**TABLE 4.20: RATING OF FRANCHISE PACKAGE**

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>2</td>
<td>8.3333</td>
<td>8.3333</td>
</tr>
<tr>
<td>2</td>
<td>1</td>
<td>3</td>
<td>4.1667</td>
<td>12.5000</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
<td>6</td>
<td>12.5000</td>
<td>25.0000</td>
</tr>
<tr>
<td>4</td>
<td>1</td>
<td>7</td>
<td>4.1667</td>
<td>29.1667</td>
</tr>
<tr>
<td>5</td>
<td>7</td>
<td>14</td>
<td>29.1667</td>
<td>58.3333</td>
</tr>
<tr>
<td>6</td>
<td>2</td>
<td>16</td>
<td>8.3333</td>
<td>66.6667</td>
</tr>
<tr>
<td>7</td>
<td>2</td>
<td>18</td>
<td>8.3333</td>
<td>75.0000</td>
</tr>
<tr>
<td>8</td>
<td>5</td>
<td>23</td>
<td>20.8333</td>
<td>95.8333</td>
</tr>
<tr>
<td>9</td>
<td>1</td>
<td>24</td>
<td>4.1667</td>
<td>100.0000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.0000</td>
<td>100.0000</td>
</tr>
</tbody>
</table>

**4.4.3. Characteristics of Franchising**

In section three of the questionnaire, the franchisees were required to indicate their understanding of the product versus the trademark, and the product quality.
a. **Trademark versus Product**

Twenty-one of the twenty-four respondents (87.5%) felt that should their trademark be changed it would negatively impact on their franchise business. See table 4.21. Yet when asked to choose between the trademark and the product for the success of the franchise only six of the twenty-four respondents (25%) choose the trademark. See Table 4.22.

**TABLE 4.21: IMPACT ON CHANGING THE TRADEMARK**

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>21</td>
<td>21</td>
<td>87.50</td>
<td>87.50</td>
</tr>
<tr>
<td>No</td>
<td>3</td>
<td>24</td>
<td>12.50</td>
<td>100.00</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

**TABLE 4.22: IMPORTANCE OF TRADEMARK VERSES PRODUCT FOR SUCCESS**

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trademark</td>
<td>6</td>
<td>6</td>
<td>25.00</td>
<td>25.00</td>
</tr>
<tr>
<td>Product</td>
<td>18</td>
<td>24</td>
<td>75.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

b. **Understanding of Quality**

Twenty-two of the twenty-four respondents felt that the franchise placed extreme importance on quality of the product being sold. Refer to Table 4.23.

**TABLE 4.23: UNDERSTANDING OF QUALITY REQUIREMENTS**
Twenty-two respondents also indicated that they had a clear understanding of what was expected of them in terms of quality. Thirteen respondents indicated that quality audit took place on a monthly basis. See Table 4.24.

**TABLE 4.24: FREQUENCY OF QUALITY AUDIT**

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extreme</td>
<td>22</td>
<td>22</td>
<td>91.66%</td>
<td>91.66%</td>
</tr>
<tr>
<td>Somewhat</td>
<td>2</td>
<td>24</td>
<td>8.33%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.00%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

**4.4.4. Management of a Franchise**

In section four of the questionnaire, the researcher attempted to ascertain how the franchisors managed the success of the franchised stores.

**a. Location**

Twenty of the twenty-four respondents (83.3%) indicated that their franchise was strategically located. See Table 4.25.

**TABLE 4.25: STRATEGIC LOCATION OF STORE**

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly</td>
<td>13</td>
<td>13</td>
<td>54.17%</td>
<td>54.17%</td>
</tr>
<tr>
<td>Quarterly</td>
<td>8</td>
<td>21</td>
<td>33.33%</td>
<td>87.50%</td>
</tr>
<tr>
<td>Bi-annually</td>
<td>1</td>
<td>22</td>
<td>4.17%</td>
<td>91.67%</td>
</tr>
<tr>
<td>Annually</td>
<td>2</td>
<td>24</td>
<td>8.33%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.00%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
Seventeen of the twenty-four respondents (70.3%) however indicated that location was the most important aspect in managing a successful franchise operation. Refer to Table 4.26.

TABLE 4.26: MOST IMPORTANT ASPECT OF MANAGING A FRANCHISE

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definitely</td>
<td>20</td>
<td>20</td>
<td>83.33333</td>
<td>83.3333</td>
</tr>
<tr>
<td>Somewhat</td>
<td>4</td>
<td>24</td>
<td>16.66667</td>
<td>100.0000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.00000</td>
<td>100.0000</td>
</tr>
</tbody>
</table>

**b. Franchise Committee**

Twelve of the twenty-four respondents (50%) indicated that they belonged to a franchise committee. Refer to Table 4.27. Twelve respondents also indicated that belonging to a franchise committee strengthened their position with the franchisor/head office. Seven of the respondents (29.1%) felt that belonging to a franchise committee would only ‘somewhat’ strengthen their position and five respondents said that it would not strengthen their position at all. See Table 4.28.

TABLE 4.27: BELONGING TO FRANCHISE COMMITTEE

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>12</td>
<td>12</td>
<td>50.00000</td>
<td>50.0000</td>
</tr>
<tr>
<td>No</td>
<td>12</td>
<td>24</td>
<td>50.00000</td>
<td>100.0000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.00000</td>
<td>100.0000</td>
</tr>
</tbody>
</table>

**TABLE 4.28: IMPACT OF COMMITTEE ON FRANCHISOR**
**c. Franchise Team**

Fifteen of the twenty-four respondents (62.5%) felt that the role of the franchise team was extremely important for the successful running of their franchise. Refer to Table 4.29. Nineteen of the twenty-four (79.1%) respondents felt that the franchise team had adequate knowledge and tools to assist and support the franchisees. See Table 4.30.

**TABLE 4.29: ROLE OF THE FRANCHISE TEAM**

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definitely</td>
<td>12</td>
<td>12</td>
<td>50.0000</td>
<td>50.0000</td>
</tr>
<tr>
<td>Somewhat</td>
<td>7</td>
<td>19</td>
<td>29.1667</td>
<td>79.1667</td>
</tr>
<tr>
<td>Not at all</td>
<td>5</td>
<td>24</td>
<td>20.8333</td>
<td>100.0000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.0000</td>
<td>100.0000</td>
</tr>
</tbody>
</table>

**TABLE 4.30: ADEQUACY OF FRANCHISE TEAM**

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>19</td>
<td>19</td>
<td>79.1667</td>
<td>79.1667</td>
</tr>
<tr>
<td>No</td>
<td>5</td>
<td>24</td>
<td>20.8333</td>
<td>100.0000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.0000</td>
<td>100.0000</td>
</tr>
</tbody>
</table>

The franchise team only received 20.833% (5) of the vote as being the most important aspect of managing a successful franchise. Refer to Table 4.31.

**TABLE 4.31: RATING OF FRANCHISE TEAM**
### 4.5. PRESENTATION OF THE INTERVIEW FINDINGS

#### 4.5.1. Introduction

Four interviews were conducted with three potential franchisors and one franchisor. Three of the four interviewees were from the restaurant trade and one from the service industry. The interviews were guided by pre-determined questions. See Annexure C.

The interviews, though time consuming proved to be informative as interviewees freely elaborated on the subject.

#### 4.5.2. Franchisability of Product and Pilot Operation

The main issue that emerged when discussing franchisability of a product was the hands-on approach. A product or concept that is to be franchised needs to be tested in the market (Personal communication respondent 3, 2003).

The only way that the potential franchisor can test the product or concept in the market is to operating a pilot store. This store will inevitably give the potential franchisor hands-on experience. The problems encountered can be solved immediately and an operating manual can be designed and kept up to date with the new and improved systems (Personal communication respondent 3, 2003).

The pilot operation eventually becomes the training centre for the new selected franchisees (Personal communication respondent 1, 2003).

---

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship</td>
<td>2</td>
<td>2</td>
<td>8.33333</td>
<td>8.3333</td>
</tr>
<tr>
<td>Location</td>
<td>17</td>
<td>19</td>
<td>70.83333</td>
<td>79.1667</td>
</tr>
<tr>
<td>Team</td>
<td>5</td>
<td>24</td>
<td>20.83333</td>
<td>100.0000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>24</td>
<td>0.00000</td>
<td>100.0000</td>
</tr>
</tbody>
</table>
The pilot operation keeps the franchisor in-touch with the market and his products. When you know your product well, it makes it easier to sell (Personal communication respondent 2, 2003).

4.5.3. Disclosure Documents and Franchise Agreement

In South Africa the franchise agreement is the most valuable aspect of the franchise when determining duties and responsibilities of the individual parties. It governs the whole franchise relationship. In the event of conflict the agreement ‘decides’. Associations, like FASA do not have any legal power to assist either, the franchisee or the franchisor. It is evident that the franchisee must understand the agreement completely, for his own protection as ultimately the franchisor has the upper hand (Personal communication respondent 1, 2003).

The franchise agreement does not assist in running the day-to-day operation, it does determine the franchise relationship (Personal communication respondent 4, 2003).

With regards to disclosure documents, all the interviewees agreed that the documents needed to realistically reflect the financial projections (Personal communication respondent 1, 2003).

The disclosure documents should clearly set out the financial plans, the training manual, operating manual, the reasons why the business / product is a successful (differentiation), the set-up costs for the operations and who is responsible for what costs (Personal communication respondent 3, 2003).

4.5.4. Selecting Franchisees

Selection of franchisees was one issue that all the interviewees felt needed the most attention from the franchisor.

A franchisee is not scrutinised extensively it impacts on future potential franchisees and current franchisees in the group because not all franchisees are suited to be
entrepreneurs or retailers. It is essential that the background and experiences of potential franchisees be thoroughly examined (Personal communication respondent 2, 2003).

The age factor seems to play a role in terms of ‘discipline’. The ‘younger’ inexperienced franchisee tends to be a little undisciplined. Being disciplined leads to better conformity to franchise standards and procedures (Personal communication respondent 2, 2003).

Franchisors need to find interpreneurs when selecting franchisees. The interpreneur is more than just an entrepreneur; he/she also has the ability to work within a framework/structure (Personal communication respondent 1, 2003).

It is advised that potential franchisee, when buying a franchise, closely scrutinise the franchise by looking at the feasibility, track record, and future growth prospects in the market place. The same principle would apply to the franchisor when selecting the franchisee (Personal communication respondent 4, 2003).

All the aspects of franchising from a pilot operation to the franchise agreement are equally important, selection the potential franchisees may be the aspect that tips the scales. Having the ‘right’ franchisee minimises failure and increases the profit line for both the franchisee and franchisor (Personal communication respondent 1, 2003).

Recruiting and selecting franchisees requires disclosing of everything from what type of person expected the franchisee to be, and the sacrifices the franchisee will have to make. The financial aspect is also disclosed in terms of what is expected from the franchisee (in term of own collateral) and what the franchisor will be responsible for financially (Personal communication respondent 4, 2003).

4.5.5. Training of Franchisees
The longer the franchisee is trained the better success for both the franchisor and the franchisee. Training should ideally take place at a centralised point, such as the pilot store (Personal communication respondent 4, 2003).

Training of in-house staff should take place on an on-going basis (Personal communication respondent 4, 2003).

Constant training is important to maintain standards and improve services rendered (Personal communication respondent 2, 2003).

4.5.6. Supporting Franchisees
The franchisor will assist the franchisee to select the site, negotiate the lease agreement so that it falls within the budget. The franchisor should assist the new franchisee with the daily operation for a couple of weeks where the franchisor works side by side with the franchisee. Daily telephonic support should be available and monthly visits should take place by the franchisor (Personal communication respondent 2, 2003).

A franchise team (representing the franchisor) needs to be competent in all business spheres to monitor as well as support the franchisee (Personal communication respondent 2, 2003).

A franchise committee (representing the franchisees) is not always successful in their representation. The franchisor should encourage its franchisees to provide feedback. This allows the franchisor to amend and meet the franchisee requirements (Personal communication respondent 2, 2003).

The support provided by the franchisor is an important part of the franchise package. It is the franchisor's duty to advise and support the franchisee when required. The franchisor is able to improve the franchise systems and operating procedures through the support (Personal communication respondent 1, 2003).
4.5.7. Managing a Franchise

The following points were highlighted when managing a franchise:

a. Dedicated suppliers should be used with whom the franchisor can negotiate deals to supply all the franchise stores. It maintains standards and quality;

b. It is very important to have the right people working in the right position. The franchisor should assist the new franchisee in appointing his staff members;

c. Branding the franchise product correctly is very important. Consult with professional marketers. Register the trademark to protect the franchise;

d. When selecting locations considering the following are important:
   - Income group in the area;
   - The franchise target market;
   - Parking facilities for the customer;
   - Visibility of store;
   - Trading hours and the profits that are expected;
   - Security of customers and staff.

e. A franchisor needs to keep consistency within the franchise operation. This insures that standards and quality are maintained.

The franchisee should not be stifled in his/her independence but the franchise should never be compromised. Ultimately the brand belongs to all the franchisees and the franchisor. The franchisor is responsible for protecting the brand against unorthodox individual franchisees (Personal communication respondent 1, 2003).

Site selection is a very important aspect in any business, so a thorough study should be made of the proposed area (Personal communication respondent 1, 2003).

A good working relationship and its maintenance it makes managing the rest of the franchise aspects easier (Personal communication respondent 1, 2003).

4.6. SUMMARY
It can be seen that all the franchising factors play an integral part of the franchise. Some aspects stand out as being important to the franchisee but regardless of the ratings each aspect of the franchising has to be dealt with by the franchisor and each aspect has to be regarded important.

A point that was highlighted by most of the respondents was the location factor. As in any business, whether a franchise or not, location is one of the most important factors for success.

The conclusion and recommendations are discussed in chapter five.
CHAPTER 5
CONCLUSION AND RECOMMENDATIONS

5.1. SUMMARY

The franchising system was designed to provide a formula for operating a successful business. Unavoidable business mistakes have been eradicated from the system through experience before it is packaged as a franchise and sold to franchisees. It follows that the franchisor must have the operated the business for a reasonable period, preferably in several locations, and honed its systems and procedures to perfection.

The success of every franchise operation rests upon exact duplication of the franchisor’s blueprint. Every franchisee will be expected to operate a carbon copy of the franchisor’s original business.

Franchising success is based on the premise that people will prefer to build a new business under the guidance of an established organisation, using proven methods and procedures, rather than by trial and error.

5.2. CONCLUSION

Franchising has become the way to expand a business without the use of one’s own capital. Both the franchisor and the franchisee can benefit from the franchise relationship in various ways. The franchisor receives royalties and the franchisee in turn is self-employed.

The franchising system is a means to create employment for both the franchisee and for the staff that is employed by him/her.
As the franchise industry grows, one will expect the failure rate to increase. It is important to find a proven way to set up a franchise with low rate of failure.

The franchisor needs to have a product / idea that can be franchised, before franchising can begin to take place. This product / idea needs to be tested in the market place. This can be done with of a pilot operation. The problem areas can be identified and improved methods can be implemented.

The franchisor, compiles the operating and training manual based on his/her hands-on experience in the pilot store and on business knowledge. The operating manual serves as a franchise guide for the potential franchisee and his staff.

Recruiting and selecting franchisees, is one of the most important aspect of franchising. The franchisor needs to know what type of franchisees he/she is seeking. Selecting the wrong franchisee can do more harm than profit the franchise as a whole.

Disclosure documents are important for the franchisee, so that he/she can make an informed decision. Should the franchisor not reveal all the facts, an erroneous investment decision could be made by the franchisee in the future.

The less experienced franchisee will need the more support than the more experienced one. Franchise support is important in terms of quality and standards. Coupled with training on an on-going basis the franchise is guaranteed.

A salient aspect with regards to managing a franchise was location. The survey indicated that the importance of location outweighed the importance of the franchise relationship, joint consultative committees and franchise support.

Ninety percent of the franchisees that answered the questionnaire agreed that location was extremely important to the success of their franchise. The interviews
conducted echoed the same sentiment. Location is the most important aspect of managing the profitability of the business, regardless of the franchise.

Finally one can conclude that the literature study does reveal the steps necessary for a franchisor to take, to franchise a business. The survey results merely emphasised the importance of each step.

The hypothesis is not proven because the literature does reflect the events that occur in a franchising practice.

5.3. RECOMMENDATIONS

The literature and empirical studies both revealed the importance of all aspects of franchising. It is not deemed necessary to recommend methods to improve the literature but rather the issues that need to be carefully considered when starting a franchise operation.

5.3.1. Pilot Operation and Operating Manual

Franchises operating in first world countries are fast reaching saturation point and are looking to developing countries for their future expansion. Africa has become an investment opportunity. It is important that potential franchisors know their target market and their product thoroughly well before attempting to franchise their business.

The operation of a pilot store gives the franchisor the opportunity to experiment with different ideas and methods, to find the right combinations to franchise the business.

The hands-on approach is invaluable. It gives the franchisee more faith in the abilities and expertise of the franchisor.
The new franchise has more credibility, when investigated by potential franchisees, by registering with an accredited franchise association like FASA. In addition to the credibility received, participants and past winners of awards like the FASA Award have gone on to achieve greater heights of success through the accolades bestowed on them by these Awards.

5.3.2. Recruiting and Selecting of Franchisees
The recruitment and selection of franchisees was highlighted as being nearly the most important area of franchising during the interviews conducted for the potential franchisor.

Franchisee selection can be a tedious and long process when the franchisor is looking to expand quickly. It is recommended that patience be exhibited when selecting the right franchisee. Choosing a franchisee who almost fits the profile can have damaging consequences later.

Standard criteria should be drawn up by the franchisor and used as a yardstick when selecting potential franchisees. These standard should not be deviated from.

An alternative selection method is using psychometric testing where the potential harmful effects of having the wrong franchisee are significantly reduced. The specific competencies that a franchisee needs to perform his day-to-day activities are defined by the franchisor and are customised to the unique requirements of the business.

5.3.3. Training Franchisees
Training is especially important for first time franchisees who must learn about the franchise systems but franchising as a whole. It is important that the franchisor combine the training methods and time factor to suit both his/her budget and the franchisee.
The training inevitably goes hand-in-hand with selection. Training will be kept to a minimum by selecting the right franchisee.

5.3.4. Providing Support

Every franchised outlet is part of a larger business system and franchisors should provide continuous support and coaching to their franchisees.

This results in the success rate of franchised operations when compared to non-franchised businesses being significantly higher.

The support and training offered by the franchisor by being on an ongoing basis, places, the franchisor in the position to identify the difficulties that the franchisee is experiencing and offer his support and advice.

5.3.5. Managing a Franchise and Disclosure Documents

Site selection appears to be the important aspect in managing a franchise. This means that each location must be researched thoroughly. Location can either make or break a business.

It is important to consider industry growth before investing in a franchise, it is more important to analyse an individual franchise company’s disclosure documents, keeping in mind that quick growth does not always spell success.
Recommended Franchise Model

5.3.6.1. Notes on the steps to franchise a business

1. Product must be franchiseable. There is no point of having a wonderful product that is not going to sell.

2. Operate a pilot operation. It gives the franchisor hands-on experience, the overheads are kept low, and problems encountered can be solved immediately which in the long run leads to success. During this phase an operating manual is written with all the details necessary for the running of the daily operation. The pilot operation can be used to train new franchisees and their managers. Teething problems must be resolved.

3. The disclosure documents should clearly describe the financial plans, the motivation for the business / product is a success (differentiation), the set-up costs for the operations (who is responsible for what costs).

4. Selection of franchisees. When seeking franchisees, disclose everything from the character of the person and the sacrifices the franchisee will have to make. The financial aspect is also disclosed in terms of what is expected from the franchisee (own collateral) and what the franchisor will be responsible for financially.

5. Training. The longer you train the franchisee the better success for both parties. Training should ideally take place at a centralised point, such as the pilot store.

6. Support. The franchisor will assist the franchisee to select the site, negotiate the lease agreement so that it will fall within his/her budget and assist the new franchisee with the daily operation for a couple of weeks. The franchisor should literally works side-by-side with the franchisee. Training of staff should take place in store on an ongoing basis. Daily telephonic support should be available to the franchisee. Monthly visits by the franchisor or his/her team should take place.
Diagram 5.1: Franchise Model (Adapted from Niemand 1998)

LEARN ABOUT FRANCHISING

Establish whether the business is suitable for franchising.

Conduct a feasibility study.

Establish A Pilot Operation.

Develop the following manuals and criteria:
- Operating manual
- Training manual
- Location criteria
- Franchise agreement

Compile Franchise Package. Prepare disclosure documents.

Recruit and select franchisees

Train franchisees and franchise managers

Manage the franchise system:
- Location
- Consultative committees
- Build franchise relationship
- Support franchisees
5.4. FURTHER RESEARCH

This study demonstrated that the field of franchising is a broad one and that research can further be refined to distinguish between first time franchisees and long-term franchisees. The response that one would receive from the first time franchise owner and the period that he has been in business is different from that of long-time franchisees and entrepreneurs.

The growth rate of the franchising industry demonstrates the need for further research. It is recommended that research on the failure of franchising be conducted so that it can be kept at a minimum.
SOURCE LIST


ANNEXURE A

13 November 2003

SURVEY ON FRANCHISING PRACTICES

Dear Franchisee,

As telephonically discussed, I am currently engaged in post-graduate studies, the topic for my Master’s dissertation being “How can a potential franchisor establish a successful franchise for fast moving consumer goods?”

As part of my research I am conducting a survey to obtain data on the best practices in setting up a franchise and managing a franchise. For this purpose, a number of franchises, including yours, have been selected to participate in the survey.

As a result of your involvement in and experience in franchising in the Eastern Cape, your views and opinions concerning existing practices in franchising will be of major importance, not only in respect to this study but also as a further contribution to the advancement of franchise development and management.

Herewith, please find the questionnaire covering basic demographics about your franchise, franchise characteristics, and management. It would be greatly appreciated if you could spare a few moments of your valuable time to contribute to the study by completing the questionnaire and returning it to me by 17th of November 2003 at the latest, by post, email or fax.

Rosa Esmeraldo
PO Box 40064
Walmer
6065

Fax number: 041- 922 0194
rosa_e@mighty.co.za

All data obtained will be treated in the strictest confidence and the findings of the study will be made available to participants after completion of the study.

Should you require further information concerning the study as a whole or this survey in particular, please do not hesitate to contact me at 041-991 0035 / 083 739 3030 or my promoter Shaun Krause at PE Technikon on 041- 504 3445.

I look forward to receiving your response and thank you in anticipation for your willingness to participate.

Yours sincerely

Rosa Esmeraldo
ANNEXURE B
SURVEY ON PRACTICES IN FRANCHISING

SECTION 1: COMPANY INFORMATION

1.1. Franchise Name: ………………………………………… Area: ……………………………

1.2. Business period:

| 1-5 years | 6-10 years | 11-15 years | 16+ years |

1.3. Number Of Branches in NMMM: □

1.4. Is your franchise:

□ International □ National

1.5. Number Of Employees: □

1.6. What motivated you to buy into a franchise?

□ Retrenchment □ Need for self-employment □ Other

1.7. Gender:

□ Female □ Male

1.8. Age group:

□ 25-35 years □ 36-45 years □ 45+ years

1.9. Highest qualification:

□ Grade 10 □ Matriculation □ Degree/ Diploma □ Post Graduate

SECTION 2: FRANCHISING STRUCTURE/ STEPS

2.1. In your opinion how detailed is the franchise operating manual?

□ Extremely □ Somewhat □ Not detailed
2.2. How useful is the franchise-operating manual?

Extremely | Somewhat | Not useful
--- | --- | ---

2.3. How well are the roles and the responsibilities of the franchisees defined in the agreement?

Extremely | Somewhat | Not enough
--- | --- | ---

2.4. Would you be able to succeed by only using the operating manual?

Yes | No
--- | ---

2.5. To what extend were you scrutinised by the franchisor/franchise team?

Extremely | Somewhat | Not at all
--- | --- | ---

2.6. How important is ongoing training of your staff at your franchise?

Extremely | Somewhat | Not at all
--- | --- | ---

2.7. Approximately how often does training of your staff take place?

Monthly | Quarterly | Bi-Annually | Annually
--- | --- | --- | ---

2.8. How often does the franchise team/franchisor visit the your franchise?

Monthly | Quarterly | Bi-Annually | Annually
--- | --- | --- | ---

2.9. Rate the following from 1 to 9 in order of importance for the sustainability of your franchise:

2.9. a) Franchisability of product/idea:

2.9. b) Franchise Package:

2.9. c) Franchise Operations Manual:

2.9. d) Franchise Training Manual:

2.9. e) Franchise Agreement:

2.9. f) Disclosure Documents:

2.9. g) Training Franchisees:
2.9. h) Franchise Relationship: 

2.9. i) Supporting Franchisees: 

SECTION 3: FRANCHISE CHARACTERISTICS

3.1. Do you think a change in the trademark/logo would negatively impact your franchise?  

3.2. What importance does the franchise place on the quality of product?  

3.3. Which is more important for the success of the franchise?  

3.4. Do you have a clear understanding of what is in the manual?  

3.5. Do you have a clear understanding of what is expected in terms of quality?  

3.6. Approximately how often does quality auditing of franchise take place?  

SECTION 4: FRANCHISE MANAGEMENT

4.1. Do you think the franchise is located strategically?  

4.2. Do you belong to a franchise committee?  

4.3. In your opinion does belonging to a committee strengthen your position in terms of the dealing with Head Office/franchisor?  

4.4. How important is the role of the franchise team for the successful running of your franchise?
4.5. Do you feel that the franchise team have adequate franchise/business knowledge and tools to assist and support the franchisee?  

Yes    No

4.6. In your opinion, which of the following would be the most important aspect when managing a successful franchise?

4.6. a) The franchisee/franchisor Relationship:  

4.6. b) Being a member of a joint consultative committees:  

4.6. c) Having the 'right' location:  

4.6. d) Having a knowledgeable franchise team:

SECTION 5: ADDITIONAL INFORMATION

Any other information you would like to share?

........................................................................................................................................

........................................................................................................................................

........................................................................................................................................

........................................................................................................................................

........................................................................................................................................

........................................................................................................................................

........................................................................................................................................
ANNEXURE C
GUIDELINE TO INTERVIEW

SECTION 1: COMPANY INFORMATION

1.1. Franchise Name: …………………………………………………………………

1.2. Business period:  

- 1-5 years  
- 6-10 years  
- 11-15 years  
- 16+ years

1.3. Number Of branches: 

1.4. Is the franchise:  

- International  
- National

SECTION 2: FRANCHISING STRUCTURE / STEPS

2.1. In your opinion what are the steps necessary to franchise a business?

2.2. How important is it for the franchisor to operate a pilot operation?

2.3. How specific should a franchisor be in the recruiting and selecting procedure of new franchisees?

2.4. How essential is training at your franchise?

2.5. What should be reflected in the disclosure documents?

2.6. What does ‘supporting’ a franchisee mean to your franchise?

SECTION 3: FRANCHISE CHARACTERISTICS

3.1. Do you think a change in the trademark/logo would impact negatively on the franchise?

SECTION 4: FRANCHISE MANAGEMENT

4.1. What issues need to be considered by the potential franchisor when managing a franchise operation?