

## ***How France's Potential Franchisees Reach Their Decisions: A Comparison with Franchisers' Perceptions\****

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Hing (1997) takes up the subject of franchise publications, already raised by Elango and Fried (1997): "The literature of franchising contained a plethora of repetitive and journalistic material, which contained conflicting and unsubstantiated claims" (p. 157). Many publications point to the important role of the franchisee in the success of a franchise network (Jambulingam and Nevin 1999). Paradoxically, few empirical researchers have tried to understand their motivation, although several researchers stressed the importance of it. For instance, although Stanworth and Kaufmann (1996); Bradach and Kaufmann (1988); and Anderson, Clarence, and Dunkelberg (1992) emphasized the area of past experience that would indicate which individuals likely were to be interested in becoming franchisees, this topic has not been studied in detail. Peterson and Dant (1990) also suggest that it is important to observe franchisees' motivations and decision-making processes prior to their actually joining a system.

The present study attempts to reach a better understanding of how the potential franchisees come to their decisions and attempts to compare this process with franchisers' perceptions. It initially focuses on the identification and on the decision-making process of French potential franchisees; subsequently,

applicants' answers are compared with those of the franchisers.

Data were gathered at the annual franchise show, the Salon de la Franchise, held in Paris. Gap theory explains how differences from expectations between the service provider (the franchiser) and the customer (the potential franchisee) can affect the perceived quality of the franchise package. Managerial implications and future research needs are discussed.

### ***Methodology***

#### **Sample**

Kaufmann and Stanworth (1995) note that the aim is to find a sample large enough to permit generalizations about the population of prospective franchisees. One possibility is to interview those attending a franchise exhibition. The research team for this study in fact did use this methodology, which had been tested previously by Bradach and Kaufmann (1988). Over a period of four days (March 19–22, 1999), data were gathered at the annual franchise show in Paris. Questionnaires were given to 315 potential franchisees and to 88 franchisers, selected on the basis of convenience.

#### **Questionnaire**

The different parts of the questionnaire are linked to Engel, Kollat, and

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Blackwell's (1978) first three stages: (1) profile (identification and psychological variables); (2) information search (type of information and its influence on the likelihood of opening a franchise); (3) selection criteria (the order of precedence among the sector, the legal format, the brand name, the factors explaining the choice of the franchise format, and the factors explaining the choice of the specific franchise network); and (4) the intention to purchase (likelihood and deadline).

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### ***Potential Franchisees: Who Are They?***

The past experience of the potential franchisee is described with the typical items: age, experience, and educational qualifications. Of those interviewed, 79 percent were male. The average age was 37, with none being under 20 or over 64. Two socioprofessional groups were in the majority: executives (35 percent) and company managers and shopkeepers (31 percent). It was observed that 13 percent were unemployed. Looking at the future entrepreneur's educational qualifications, it can be noted that more than 50 percent have reached A level, and 29 percent have a master's degree. The proportion of self-employed men or women was low. The rise in applicants' educational level may be attributed to franchisers' recruitment policy and network operation. Applicants are subjected to very specific requirements. Franchisers need to have the organizational resources to satisfy the prospective franchisees.

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### ***Decision-Making Process***

Potential franchisees' answers now are reviewed relating to the following items: the likelihood of opening, the expected time span, the search for information, the decision-making sequence, choosing the franchise format, and choosing the franchise system.

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### **Intention to Become a Franchisee**

Bradach and Kaufman (1995) note that "nontrivial entry fees and distance traveled by the attendee provide evidence that serious interest in franchising can be inferred from attendance" (p. 26). Is it the same thing in this investigation? The following question was inserted into this study's questionnaire: "What is the likelihood of your opening a franchise?" Answers ranged between 0 percent (never) and 100 percent (certain). The mean likelihood was 56 percent, which shows relative uncertainty. Visitors to the exhibition seem to have gathered information while remaining relatively undecided.

### **Time Span**

The question was, "When will you open your franchise?" One-third of the potential franchisees thought that they would open their business in the next six months; three-fourths thought they start within the next 12 months. Deciding whether to buy a franchise appears to be rather a long process (more than one year). Franchisers need to take serious care in their relationships with potential franchisees. Such relationships may be described under a great variety of aspects: information, recruitment, analysis, franchisers' inputs and concern for applicants' needs, their skill at winning applicants' trust, negotiations, the franchise agreement, reassurance, motivation, and so forth.

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### **Information Gathering**

The majority of respondents had consulted current franchisees before investment (77 percent for franchisees of the same network and 43 percent for franchisees of another network). Potential franchisees seem to prefer advice from those with field and practical experience. Morrison (1996) analyzed 307 U.S. franchisees' questionnaires on the same subject and found similar results. The majority of the respondents had

consulted current franchisees before investing.

**Potential Franchisees: How Do They Reach Their Decisions?**

It is helpful to understand the sequence and the order of precedence in which decisions are made. What do potential franchisees decide on first: the business sector they wish to enter, the brand name of the franchise, or the legal format of franchising? The concept of precedence is important. Academically, it is a way of explaining applicants' decision-making process and helps to model their behavior. Analyzing this sequence is helpful for franchisers. Indeed, it will help them to improve their selection process and to communicate better with the future entrepreneurs. This study's results show that applicants first choose the sector, then the trade name, and then the legal format. The decision-making sequence is presented in Figure 1.

We have observed that even if the applicant is a retail trader or a craftsman, the sequence is the same. Of these two categories, 57 percent first choose the sector (contrasted by 65 percent for the total number of applicants). This result can be compared to that reached by other empirical studies. Bradach and

Kaufmann (1988) report that "63 percent of the prospective franchisees sampled indicated that the decision regarding business category would be (or was) made before the decision whether to operate as a franchise or as an independent business." Kaufmann and Stanworth (1995) conclude from a sample of 408 individuals that 75 percent of the respondents decide on the type of business sector before deciding whether it will be a franchise.

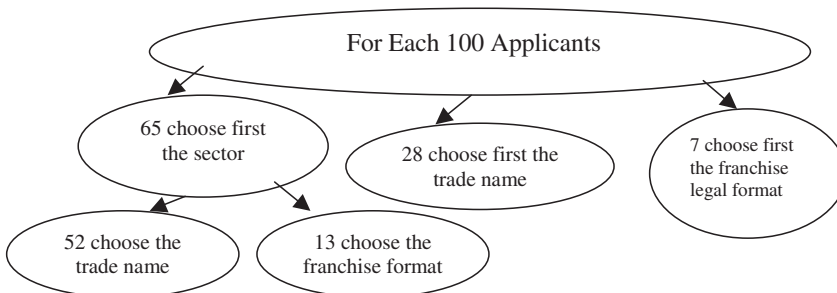
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**The Choice of the Franchise Format**

This study's results regarding the criteria employed in choosing the franchise format and in selecting a specific franchise (see Table 1) are compared to those achieved by earlier empirical studies. They can be linked to the results of Withane (1991) and of Stanworth and Kaufmann (1996).

Table 1 provides several interesting insights. It generally confirms previous studies. Indeed, even if the methodological approaches are not the same, three reasons (provision of training, established name, greater independence) for choosing the franchise format receive a high level of assent. However, when examining the results in detail, several

**Figure 1  
Decision-Making Process**



**Table 1**  
**A Ranking of the Importance of the Criteria Employed in**  
**Selecting Franchisers: A Comparison of Research**

<b>Ranking</b>	<b>Our French Study 1999</b>	<b>Withane 1991</b>	<b>Peterson and Dant 1990</b>	<b>Knight 1986</b>	<b>Hough 1985</b>
1	Advice and Assistance before Opening	Proven Business Format	Training Provided	Established Name	Franchiser Support
2	Name	Less Risky	Established Name	Satisfaction	Lacked Experience
3	Possibility for Development	Goodwill	Greater Independence	Greater Independence	Established Name
4	Franchiser's Support	Startup Support	Better Investment	Faster Development	
5	Profitability	Ongoing Support	Lower Development Cost	Proven Formula	
6	Advertising	Quick Start		Better Investment	

noticeable elements can be picked up. First, it appears very important to differentiate between startup and ongoing support. Potential franchisees need to be secured particularly about the question of startup support provided by the franchiser. Second, the trade name still is one of the top three preoccupations of franchise applicants. However, this needs to be complemented. Indeed, the sixth criteria pertaining to advertising indicates that applicants not only care about franchiser's trade name but also about the efforts made in order to maintain and to develop the franchise brand asset. This can be linked to the third most important criteria: possibility of development. In contrast with past studies, this is a new aspect that shows that potential franchisees develop, for a number of them, a real strategic vision for their business. Hence, franchisers should underline the long-term perspectives of

the franchise network (future investments, future strategic decision, and so forth). Last, the profitability aspect, although mentioned, does not seem to be as prominent as in past studies (goodwill, better investment, and so forth), this aspect probably is counterbalanced by others such as development possibilities and personal achievements.

All of this shows that even if certain aspects remain constant, potential franchisees' criteria for choosing franchise evolve over time and that this should be scanned carefully.

***Comparison between Potential Franchisees and Franchisers***  
**A Conceptual Model of Service Quality**

Parasuraman, Zeithaml, and Berry (1991) argue that the key to providing

superior service by the provider (franchiser) is understanding and responding to customer (potential franchisee) expectations. Gap theory (for example, Zeithalm, Berry, and Parasuraman 1988; Parasuraman, Zeithalm, and Berry 1985) helps to show how the differing expectations among franchisers and potential franchisees can affect the perceived quality and satisfaction of the outcome (the franchising package).

### **Methodological Aspects**

The same questionnaire was posed to 88 franchisers during the national franchise exhibition held in Paris over four days (March 19–22, 1999). Stern and Reve (1980) underline the need for researchers to employ a methodology on two levels, permitting analyses of dyadic measures in a distribution network. An example that explains the dyadic methodology is provided. For the example, the questionnaire for the franchisers was, “Assuming the choice of franchising rather than an independent business, how would you evaluate the importance attached by the would-be franchisee to these items: (1) startup support; and (2) franchiser’s advertising?”

If we compare applicants’ answers and franchisers’ perceptions, there are several significant gaps. This analysis underlines the Parasuraman, Berry, and Zeithaml’s (1991) GAP<sup>4</sup>, which corresponds to the difference between service delivery (including pre- and post-contacts) and what is communicated about the franchise package to applicants. Managerial implications are detailed regarding marketing policy and, particularly, external communications.

*Communication.* Franchisers underestimate the value of advertising to potential franchisees. Regarding below-the-line advertising, word of mouth is overvalued. An implication is that franchiser should give applicants not what *they*

think is important but what the future franchisee thinks is essential. Potential franchisees get information from existing franchisees about network operation. Relationships between franchisers and franchisees constitute factors not only of continuity and of the stability of franchises but also of their development. Franchisers and applicants share perceptions about the influence of human values on the choice of franchise. Franchisers generally underestimate long-term value as well as strategic perspective.

*Place.* The France Franchise Federation (FFF) label is more important for applicants than for franchisers. In fact, several applicants declared that it was evidence of a code of ethics. Franchisers underestimate the attractiveness of multifranchising for prospective entrepreneurs.

*Product.* Franchisers should not impart too high a value to the security of their franchise concept.

*Costs.* Financial criteria are very important for prospective franchisees. Franchisers underestimate their influence on the decision-making process. Franchisers should offer a clear justification for fees and royalties.

### **Conclusion**

This investigation portrays potential franchisees and suggests that they do follow an order of precedence in choosing a franchiser: sector first, then trade name, and then legal format. Moreover, concerning their choice criteria, the study brings new insights. Interestingly, this study’s results show that the ranking of the importance of the criteria employed in selecting franchisers has evolved over time and that new aspects are emerging (importance of the difference between startup and ongoing support, emphasis put on the possibility for development and on franchiser’s

advertising efforts, less importance given to the profitability dimension).

Some prospective franchisees are likely to choose their franchisers using several criteria simultaneously. However, this possibility was discounted here because qualitative interviews seemed to show a clear differentiation among sector, brand name, and legal format. Besides, in this study, the small minority of applicants who chose the legal format first was not analyzed intentionally. Applying the results more generally beyond the respondents studied requires a truly random sample of the defined population. The potential limitations of the present research are compensated for by a number of strengths. The authors can endorse the emphasis of Kaufmann and Stanworth (1995): "An important feature of the data presented here is that data were gathered at a time when the respondents were in the process of making decisions about becoming franchisees. It offers a clearer picture of franchisee motivation" (p. 30).

At the same time, franchisers have been interviewed. Their answers make it possible to compare franchisers' perceptions with the intentions of future entrepreneurs. This dyadic methodology helps uncover what criteria are undervalued, are overvalued, or are convergent. Practical implications emerge from these gaps, offering help in managing the early relationships between franchisers and future entrepreneurs. Particular emphasis should be put on the long-term and strategic aspect of the franchise management. Franchisees are entrepreneurs that develop their own strategic vision; hence, it is important to share with them the strategic perspective of the franchise network.

This research could be extended in several directions. On the methodological side, Kaufmann and Stanworth (1995) propose that future research should focus on tracking the respondents as they actually make their decisions and

confront the outcomes. Longitudinal franchise studies would offer interesting research perspectives.

Further research should be devoted at the understanding of the use of decision criteria: How many criteria are used in the decision process? What is the weight of each criterion? Does it differ from one individual to another and on what basis? Can we discover association rules according to which criterion A almost always is used in parallel with criterion B? This could help to segment the franchise applicants' population and to adapt franchisers' recruiting discourse and policy. Also, even if applicants predominantly choose the sector first, do they consider other sectors? What is the consideration set of potential franchisee? All these questions remain, today, unanswered. While this study sheds light on the evolution of decision criteria, it represents only a first step toward more sophisticated studies that fruitfully can use marketing research techniques in order to provide franchisers and academic with a finer view of future and actual franchisees.

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