

Critical Factors of Success for Franchises

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Abstract— *The objective of this research is to analyze the critical success factors of a franchise. Factors that generate the survival of the franchise and its competitiveness. For this, a literature review was carried out in order to analyze what these critical success factors would be: I) Elaboration of a long-term strategic plan; II) Franchisee profile; III) Well-defined and implemented marketing strategy; IV) Choice of the commercial point; V) Partnership with suppliers and VI) Service provided by the franchisor. Once these success factors are discovered, the entrepreneur can use them in his business as a support guide.*

Keywords— *Critical Factors of Success, Critical Factors of Success in Franchises, Fashion Business, KPI in Franchises.*

I. INTRODUCTION

With the increasing competitiveness observed since the last century, the interest regarding the dynamics that involve organizations is present, including the franchise and is directly linked to studies of entrepreneurship in the relationships between franchisees and franchisors, characterized mainly by the mortality rate for new businesses, where franchisees have a 20% lower rate compared to traditional enterprise formats [1].

In this sense, the research aims to analyze the indicators that guarantee the sustainability of franchises in the market. Thus, proposing a business model aimed at people and students who want to join as a franchisee. The methodology used will be the systematic literature review.

II. KPI FRANCHISING

The elaboration of indicators and targets must take into account the main activities related to the sector, with the objective of increasing profit in the activities carried out, in order to represent the amount of previously elaborated strategies and the ability to place the defined plans for short and long term in action, efficiently and dynamically with fluctuations inherent to business dynamics [2].

Key Performance Indicators (KPIs) or Performance Indicators are also a tool for measuring performance, capable of assisting organizations in assessing their level of success in relation to the context of a specific activity, or in the set of processes inherent to it, reflected by the strategic drivers defined based on the needs identified before the market [3].

Critical Success Factors (FCS), on the other hand, are defined as key elements that determine the success or failure of the specified objectives, aligning the characteristics and capabilities of the companies evenly, in order to provide the user with real feedback on the status of the processes, the which serves as a basis not only for controlling internal processes and the individuals involved, but also for reflecting on the pattern of leadership, resource allocation, knowledge and teamwork [2].

Once these factors are well defined and thus well monitored, the franchise will guarantee its survival in the market, and maximum consolidation to its customers, in addition to loyalty, greater profit, delivered quality that are the consequences of a whole planning previously prepared

Thus, the critical factors, which are identified as successful franchises, mention that companies have been seeking through a continuous effort to point out the importance of Franchising.

Therefore, the topics below will present the main FCS found in the literature. They are: Elaboration of a long-term Strategic Planning; Franchisee profile; Marketing strategy well defined and implemented; Geolocation of the commercial point; Partnerships with suppliers and Services provided by franchisors.

2.1 Critical Success Factors: Elaboration of a long-term Strategic Planning

“Strategic Planning” refers to the way in which a company intends to apply a certain strategy to achieve the proposed objectives. It is generally a long-term global plan”[4].

Long-term strategic planning is required for franchises, which is a critical success factor. Since it reveals the expansion of the enterprise, backed by customer satisfaction, and the market. Its analysis indicates the economic and financial viability of the franchise, and the actual acceptance of the products / services offered [5].

2.2 Critical Success Factors: Franchisee Profile

The franchisor's goal is to expand its network and strengthen its brand. This occurs with the franchise system, for this it is necessary that the franchisee has a work profile and experiences compatible with the business. A franchisee with a different profile than expected by the franchisor, can damage the brand and consequently blacken the image of an entire chain. It is not uncommon to find some stores that have lost their credibility due to the mismanagement of an entrepreneur, whether by recruiting their employees at the time of providing a customer service, or even by the entrepreneur's own profile. Therefore, the franchisee's profile is a critical success factor [5].

Among the desirable characteristics of a franchisee are: risk aversion, interest in the sector of activity and previous experience in project management [6]. When interest in being a franchisee arises, the franchisor performs a profile analysis of his entrepreneurial, leadership, psychological capacity [6]. However, it is noted that, in some cases, the franchisee's profile is not such a relevant issue [7]. The authors describe the results of their research as follows:

Regarding the selection process, most of the interviewees did not perceive an interest on the part of the franchisor in analyzing the profile or in verifying "whether the candidate was suitable for the system and the system for the candidate" [7].

With the methods established on the factors that contribute to the success of the franchise, its main factor is the good relationship between franchisee and franchisor, since it is the main and initial link of the entire process. Transparent relationships, understanding of processes and sharing of experiences must be carried out daily [5].

The profile of the entrepreneur is a determining factor, as it represents the action of running the franchise in a profitable manner, enabling innovations continuously, in addition to achievements that provide greater business development [1].

2.3 Critical Success Factors: Well-defined and implemented Marketing Strategy

The main objective of Marketing is to study and develop strategies that satisfy the needs of customers [10]. Certainly, Marketing is one of the great differentials perceived by franchisees. Even if worked well, it is an

important attraction when a candidate is evaluating his entry into a certain franchise network [1]. Having a marketing strategy is an essential tool in a franchise system for generating a successful Franchising process.

Choosing a personalized business model for the franchisee, following the same thinking as the previous item, franchisees have different styles and profiles, are unique and need aligned marketing strategies. It is essential that the franchisor knows his franchisee and proposes well-defined marketing plans, together and in support of the franchisee. In addition to adapting to the business and placing the franchisee in the scenario he lives. Therefore, well-defined marketing strategies are critical success factors [8].

2.4 Critical Success Factors: Geolocation of the commercial point

A good commercial point is known to everyone as something positive. When inserting a franchise in an inappropriate location, it can negatively impact the entire network. The Franchising Portal [1] reinforces the importance of the franchisor's active participation:

"The best point is not necessarily the one that will provide the highest revenue, but the one that will bring the best result. To do so, one must deeply understand the particularities of the business in question and the history of the chain's units, which make the franchisor's involvement an essential factor for the success of the study." [11].

It is essential that the franchisor directs the franchisee to the ideal location to establish the franchising unit, since he has well-defined know-how techniques capable of identifying strategic points. In summary, the franchisor has in-depth knowledge for the operation of the unit, which proves the relevance of providing field consultancy services [7].

2.5 Critical Success Factors: Partnerships with suppliers

The establishment of partnerships with suppliers is a critical success factor, since they present favorable price conditions and greater credibility in supply [5].

Suppliers are also one of the critical success factors. Since to have the final product it is extremely necessary that the first part involved, the raw material, is not lacking. An item that is not delivered on time or that even comes with malfunctions, hinders the entire production process, and compromises the brand name [5].

Analyze in their study that the provision of services by the franchisor is a critical success factor. They concluded that the main complaint of the interviewees, the ex-franchisees, was regarding the price. The entrepreneurs

declared that the prices charged by the franchisor's Central were more expensive than those obtained directly from the suppliers [7].

2.6 Critical Success Factors: Services provided by the franchisor

In the late 1990s, Elango and Fried identified “the franchisee's dissatisfaction as the main motivation for abandoning the relationship”. Ten years later, it was found that one reason for breaking the franchise contract is the franchisee's dissatisfaction with the service provided by the franchisor [9].

Also analyzed the dissatisfaction of ex-franchisees with the services provided by the franchisor as a critical success factor. Punctuating this dissatisfaction: non-compliance with the promised support, technical assistance, inefficiency of the central purchasing and centralized advertising, among other points [7].

In the field research undertaken, it was found that the franchisors did not contribute to a positive climate because they did not care about the performance of the franchisees, did not provide the promised or expected support and, mainly, did not communicate adequately and intensely with the network [7].

Thus, it is worth considering that the final consumer is an individual customer. The complexity in the management of fashion retail organizations demands an adequate governance process based on strategic, tactical and operational actions, aimed at meeting the dynamics related to the renewal of inventories, so that the organization can meet the demands of the various collections that occur during the year.

It is worth mentioning that Franchising has the characteristic of presenting a binding agreement between two autonomous organizations being the franchisee and the franchisor, that is, the latter being paid first to sell their products and the other uses a brand in a certain location [1].

III. CONCLUSION

With the current success of Franchising in Brazil and the “low mortality rate” compared to other forms of entrepreneurship, it is necessary to understand the critical success factors. Given these perspectives, it is possible to answer the key question of this work: “What are the critical success factors in a fashion franchise?”. These being cited by the authors, such as: I) Long-term strategic planning is necessary [5]; II) The profile of the entrepreneur is a determining factor, as it represents the action of running the franchise profitably [10]; III) Having a marketing

strategy is a tool for generating a successful Franchising process [12]; IV) The franchisor needs to direct the franchisee to the ideal location to establish a franchise [7]; IV) The establishment of partnerships with suppliers is a critical success factor [8] and VI) Services provided by the franchisor also work as a critical success factor [9].

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