Brazilian microfranchising chains: entrepreneurs’ backgrounds and perceptions of brands and support

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Abstract: The article aims to analyse how microfranchisees backgrounds influence their perceptions of franchisors’ support and the brand. Based on the theory of entrepreneurship and the elements of franchise support and brand, we conducted a qualitative field study utilising the case study method with six Brazilian microfranchisees. Results suggest both the influence of the ‘honeymoon period’ on perceptions of brands and support and the absence of competencies required to manage a business. The main contribution of this research is positing the relevance and importance of the ‘honeymoon period’ in microfranchisees’ choices and performance.

Keywords: franchising chain; honeymoon period; microentrepreneur; microfranchising.


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1 Introduction

The Brazilian market of franchise chains has established itself as a competitive, global force: Brazil is the sixth largest market in franchising units with 114,409 units (Associação Brasileira de Franchising, 2014a). At the same time, the Brazilian population has experienced significant socioeconomic changes in the last decade. Recently published reports show the weight of an emerging middle class made up of 108 million people, generating consumption of over USD 430.5 billion in 2013 that represents, on its own, the 18th largest economy in the world (Serasa Experian, 2014). As a consequence, the franchising segment has configured itself to attend to this slice of the population by formulating franchising models that require smaller investment. These are the microfranchises which are franchises that require an initial installation investment of up to USD 30,000. These franchises have gained attention in the Brazilian market. Currently, there are 13,352 units, belonging to 386 chains that generated USD 1.7 billion in 2012 (ABF, 2014b). Thus, the positioning of the microfranchising chains is aimed, mainly but not exclusively, at the Brazilian entrepreneurs of the rising middle class. To elaborate, microfranchising is a franchising model oriented towards maximising microfranchisees’ profits and not only to empower individuals on low incomes (Crawford-Spencer and Cantatore, 2016).

However, little is known academically about microfranchises. Extant studies concerning this format of franchises are nascent and focused mainly on reporting about the utilisation of microfranchises in poor countries as a means to supply basic services, by the franchisee, aimed at overcoming poverty (Fairbourne, 2006; Oduor et al., 2009; Nghia, 2010). Furthermore, in only three studies, there are comparisons between conventional franchises and microfranchises (Burand and Koch, 2010; Kisstruck et al., 2011; Melo et al., 2014). These studies focus on the challenge of developing franchising mechanisms in microfranchises, addressing the development of microfranchises compared with the conventional franchise model.

Franchising mechanisms (Monroy and Alzola, 2005; Pitt et al., 2003; Nyadzayo et al., 2011) involve the support service package provided by the franchisor to the franchisee.
Brazilian microfranchising chains

This includes training for enabling the franchisee, field consultancy for supervision of operation and operational manuals.

The bigger this system is, the higher the service support it can provide (Falber et al., 1999; Grünhagen et al., 2008). This issue is central herein because the smaller structure of a microfranchise may compromise the microfranchisees’ perception of services received, mainly in brand development issues.

Such factors are important because brand image is something franchisees value (Chiou et al., 2004) and larger franchises use the brand image rhetoric to attract franchisees (Zachary et al., 2011); but whether and the extent to which this applies in the context of microfranchises is still not well understood.

The support received by franchisees is another important issue (Chiou et al., 2004); when franchisees are small companies, the support provided by franchisors emerges as a principal determinant of franchising chain success (Sadi and Henderson, 2011). Microfranchisees expect to receive guidance on what to do at every step (Kistruck et al., 2011). It is reasonable to think that franchisees with lower incomes and fewer business skills might require more support in their business endeavors because they expect that franchisors have superior understandings of the barriers and difficulties they are faced with.

In addition, considering this support from franchisors provides security and safety perceptions to franchisees (Grace and Weaven, 2011), it is also important to understand the perception from microfranchisees related to this received support. Although the fact that the microfranchisee may be seen as a more autonomous and independent franchisee (Diochon et al., 2016), mainly to act locally in his/her business area, this franchisee still needs on-going business support from the franchisor (Kistruck et al., 2011; Hassan et al., 2016). Because microfranchises are smaller organisations than the traditional franchises, it might be expected that microfranchises face lower support from the franchisor. Considering a support contract perspective from the franchisor, a reduced structure tends to decrease its costs of serving their franchisees (Michael and Combs, 2008). At the same time, because microfranchises are inherently more accessible and amenable to low-income people who want to join as franchisees, they should be aware of a higher demand of support from franchisees that are probably not optimally prepared for their new venture. A paradox emerges: microfranchises are being idealised as a mechanism that allows the entrance of small and low-income entrepreneurs as microfranchisees; these microentrepreneurs face the need of higher support; higher support is associated with larger franchise organisations. So, which mechanisms are microfranchisors using to overcome this situation? Do the microfranchisees really feel they are lacking franchisors’ support?

Another important issue related to microfranchising is the microfranchisees’ brand perception (Melo et al., 2014). Considering that brand recognition is one of the major motives for franchisees to engage in franchising (Roh and Yoon, 2009), in a microfranchising context, the same is expected. Because the small entrepreneur (microfranchisee) who faces resource constraints is seeking a business that incurs a regular fee for group membership, he/she is likely to have accordant expectations regarding, for example, the reputation of that group. Otherwise, this resource-limited entrepreneur would opt to conduct his/her own business independently of the franchise group. At some level, franchise brand image is valued by microfranchisees (Melo et al., 2014): membership of a strong network group (with a strong image) is something that influences franchisees’ satisfaction (Gauzente, 2003). In turn, franchisees’ brand
citizenship, what leads to franchising brand equity, is something stimulated by franchisors (Nyadzayo et al., 2011). We cannot deny that franchising brand construction is a co-responsible activity.

However, microfranchisees have shown a weaker value perception regarding the brand of their franchise chain (Melo et al., 2014). This result is due to the fact that the microfranchise system is still in its formational stage as a business model. The competence of the franchisors to develop the constitutive attributes of the franchising system, due to significant resource constraints, is put into question. What do microfranchisees’ actually expect from their franchisors? How do franchisees’ understand that this brand image could be enhanced?

In addition, another relevant consideration is brand development by the franchisor; this is important for attracting customers to the franchises and new franchisees for the propagation of the chain. There is a weak microfranchisees’ value perception regarding the brand that they are related because microfranchise system is considered still in the formational stage as a business model (Melo et al., 2014).

Certain particularities are noticed in the Brazilian microfranchises which represent a business model aimed at the rising middle class and with participation in several market segments and even competing with conventional franchise chains. This contrasts with poor countries, in which microfranchises are businesses for the pyramid’s base and aimed at providing welfare services to poor people (Fairbourne, 2006; Oduor et al., 2009; Nghia, 2010; Melo et al., 2014). Importantly, small enterprises usually do not follow traditional models from seminal managerial books (Williams, 2005); rather they conduct their business in their own way. It is important to understand which specific characteristics lead such activities from microfranchisees.

These specificities require that the franchisors understand the profile of the franchisee: their previous experiences, education, expectations about the future and the value attributes that differentiate them from individuals who do not pursue this type of employment (Serasa Experian, 2014). Specifically, the microentrepreneur literature suggests that these are entrepreneurs whose technical capacities have greater need of development (Krishnan and Kamalanabhan, 2013). Based on this, this research contributes academically vis-à-vis the evaluation of support quality and brand in the opinion of the microfranchisees. The extant literature does not explore, through systemic analyses, operational determinants of the franchising system, especially in this particular business model context involving microentrepreneurs.

Taking in consideration the context presented here, this research’s objective is to analyse how microfranchisees backgrounds influence their perceptions of the franchisor’s support and the franchising chain brand. We understand that the value evaluations of the microfranchisees can be influenced by their life histories, hence, the focus on analysing entrepreneurs’ personal backgrounds.

The theoretical contribution of this research pertains to the perceptions and positioning of microentrepreneurs in the franchise segment. We propose to analyse these entrepreneurs’ background characteristics, their perceptions of the support provided by the franchisor and franchise brand development. Furthermore, we also investigated the duration of these microfranchisees in the franchise network; in that context, we invoke the term ‘honeymoon period’ for descriptive and explanatory purposes. This appears to be an important variable affecting microfranchisees’ evaluations.

Microentrepreneurs will perceive value received from franchisors according to the support provided and their perception of chain brands.
2 Theory background

2.1 Entrepreneurs backgrounds

The personal background of microfranchisees is probably different from the background of most conventional franchisees. It may appeal to a certain profile of entrepreneurial orientation (Covin and Slevin, 1989) that differs from that of the conventional entrepreneur because it is a business model that requires a relatively small investment from the microfranchisee. However, although the franchisee’s investment is smaller in absolute terms, in proportional terms, it represents a substantial part of all microfranchising resources. One of the greatest differences between the microfranchising theories concerns microfranchisees motivations vis-a-vis the resources applied in the business (Kistruck et al., 2011). The higher the investment of the franchisee, the more motivated they will tend to be to run the business.

Due to the small investment requirement, microfranchising appeals to individuals who lack other employment options. Inspired by findings regarding entrepreneurs in a broader context (Vale et al., 2014), it is reasonable to suggest that people opt to become microentrepreneurs because they are unemployed; using resources from his/her FGTS (Brazilian Social Security) or some dismissal plan to invest in a professional activity. There is still the profile of young people aspiring to enter the job market and, because the investment is small, these entrepreneurs may perceive microfranchising as a viable path to pursue. This profile of entrepreneurs in the franchise environment seldom encompasses former employees from big companies that have occupied management positions.

One commonality among microentrepreneurs is hopes and expectations in terms of opportunities for recognition (Garg et al., 2011). In the specific case of microfranchises, the extent and nature of the professional backgrounds of those involved, the lower hierarchical positions and the lower salaries lead to the belief that such individuals probably had less prominence and fewer opportunities of professional recognition.

Adding to this, the influence of family and the behaviour of its members with respect to the actions of an entrepreneur (Kraus et al., 2011) are not necessarily applicable to the microfranchisee. By the profile exposed above, the microfranchisee is not necessarily from a wealthy family with financial resources that incites him/her to start a business (Berglann et al., 2009) nor do they appear to have familiar experiences with entrepreneurship (Zellweger et al., 2011).

However, it is not only family influence that defines the entrepreneurial intention of the individual but also his previous professional experience (Carvalho and González, 2006). Previous experiences in other businesses also influence entrepreneurs to open up new businesses. These experiences with other businesses serve as a background for a new initiative even if it is in another sector (Kuuluvainen, 2010) and provide the entrepreneur with experiential learning opportunities (Politis, 2005), thus, generating domain-relevant management skills (Chawla et al., 1997). However, concerning people with previous professional experience, it is questionable how much of this background is associated with leadership posts. The limited resources and the bet on the dream of business ownership suggest a class of operational workers challenging themselves to become microfranchise entrepreneurs.

Another determinant of the microfranchisee’s profile, and something which may influence perceptions of value on the actions of the franchisor, is their educational
background. University courses on entrepreneurship, including notions on franchises, are perceived as valid by students regarding their business formation (Torikka, 2007), which are applicable to microfranchises. It is estimated that a formation in which one can find knowledge on management may help him not only to manage his business but also to perceive relevant elements of an entrepreneur’s routine. It has been remarked that the franchisee’s learning is reinforced by practical experiences and initiatives (Moro et al., 2004).

Thus, it is expected that an academic educational background aimed at business knowledge may be a professional antecedent capable of critical interference in the franchisee’s perception regarding his business. Importantly, the microfranchisee tends to have better negotiation skills and value perception in commercial relationships when he has previous education in fields related to business.

However, over time, perceptions of value tend to change as business experience is acquired, in this case via a microfranchise. The expectations on investment return promised by the franchisor become emergent as well as the demands about business performance, adding pressure to the relationship with the franchisor (Blut et al., 2011; Juste et al., 2009; Farmer et al., 2011).

2.2 Franchisor’s support

The franchisees determine the value in this partnership through their perception of the benefits generated by the franchisor’s services (Vargo and Lusch, 2004a). The support services offered by the franchisors, the training provided by them, contribute to the franchisee having the necessary knowledge for the satisfactory development of the business’ concept, consisting in the transference of operational know-how and services related to day-to-day work (Monroy and Alzola, 2005).

Besides this conventional training, there are field consultancies performed in loco (i.e. personally, in the workplace) by the franchisors. The franchisors attitude and will to help the franchisee influence the performance of the franchise chain (Nijmeijer et al., 2014). Ergo, specific training for the franchisee that manages a small or medium-sized company is considered to be a fundamental element for business development in a franchise chain (Pavlin, 2013). In addition, when franchisors are seen to be seeking to optimise network performance, the franchisee’s trust in them tends to increase (Altinay et al., 2014). In summary, when support and training are seen as something to improve the performance of the franchising chain, trust emerges in the franchisor–franchisee relationship.

Besides these in loco knowledge transfers, there are operational manuals elaborated by franchisors that aid franchisees in routine operational processes, establishing patterns and rules to be followed (Perrigot et al., 2013).

This way, support depends on the resources used by the franchisor, be it to develop and administer training, to distribute and update operational manuals or to offer in loco consultancies. Considering then that larger franchise chains have more capacity to offer more support to the franchisee (Grunhagen et al., 2008), having more resources to satisfy him, the microfranchisees may concomitantly have different perceptions of franchisors compared with their counterparts in smaller chains. Thus, it is relevant to establish a study that characterises, in an exploratory manner, particular characteristics of the microfranchisee, focusing on his perceptions and aspirations regarding his business.
2.3 Franchise brand

A franchise chain’s brand equity contains both objective and subjective attributes that influence the perception of the franchisees (Erenkol and Duygun, 2010). The ‘brand power’ attribute can be important to attract and maintain franchisees (Ghantous and Jaolis, 2013) and diminishing franchisees’ investment risk (Grace and Weaven, 2011).

In a franchise chain, the franchisors that have good relationships with their franchisees secure better involvement of franchisees with the business. These franchisees put effort into improving the performance of the business and the brand reputation in their communities (Nyadzayo et al., 2011). Furthermore, this can facilitate brand transparency in the relationship between franchisor and franchisee and has an important role in the franchisees perception of the franchise.

What is expected specifically with microfranchises is that brand expectations are lower because there are not as many resources to be invested in the franchise chain and to pay for marketing campaigns, limiting the economies of scope of the microfranchisees (Segal-Horn and McGee, 2012). Thus, the model is a way to make a marketing program available for the small and medium franchisee (Dana et al., 2002). However, the gains from the brand should be perceived by the franchisee as greater than the resources spent in order for him to value the brand (Grace and Weaven, 2011), especially when the microfranchisee’s resources are scarce and he tends, because of this, to value more his investments. A lower expectation towards the brand, therefore, is expected in microfranchise contexts. The aim of this study was, therefore, to explore and understand the relations depicted in Figure 1.

From Figure 1, two propositions arise. The first is how microfranchisees’ backgrounds influence their perception on assistance support from the franchisor. In Brazil and in other emerging countries, microentrepreneurs that act under the microfranchising model, tend to do so because they do not have sufficient resources to invest in a larger franchising company (Christensen et al., 2010). Indeed, the microfranchising model is designed to be mainly used in low-income regions (Hoyt and Jamison, 2007), or by individuals on low incomes who can accrue social benefits from this business opportunity (Kistruck et al., 2011), or by those who seek job opportunities but face relatively high credit barriers (Christensen et al., 2010). Because microfranchising chains present a low-cost entry investment and the franchisors are oriented to receive gains through scale, they can accumulate more franchisees and, thus, optimise their retail channels (install more
retail shops). However, if low-income microfranchisees also have lower education and less business experience, they might expect more support in their routine activities (Kistruck et al., 2011). So, it is pertinent to understand which social mechanisms explain microfranchisees perceptions about the support received from microfranchisors.

The second proposition is how microfranchisees’ backgrounds influence their perceptions on brand image. Because prospective franchisees evaluate brand reputation in their selection of franchising opportunities (Chiou et al., 2004; Wu, 2015), it is reasonable to assume that this is something important. They might be paying franchising royalties to join a ready brand instead of creating their own brand. They might see this brand as a great advantage in a small microfranchising business in which market focusing (Camenzuli and McKague, 2015) seems to be the business orientation. Probably, factors such as age, previous managerial experience and educational background may influence the way the microentrepreneurs understand the franchising chain brand. For example, previous business and management experience may lead microentrepreneurs to understand the value and importance of being associated with a good brand image. Alternatively, these attributes might make the microentrepreneur understand how hard it is for the franchisor to offer and supply full assistance to the microfranchisee’s business.

3 Methodology

Figure 2 illustrates our methodological design. To achieve the proposed goal, qualitative research was conducted. Because our objective was to understand how microfranchisees backgrounds influence perceptions of support and value, a qualitative approach seems to be more appropriate. Specifically, we employ multiple case studies to capture different profiles and, thus, facilitate comparisons between them in order to achieve the proposed objective. Because this is an exploratory study involving a limited number of cases, the intention is to analyse microfranchises in terms of different segments of activity. To assemble the case studies, we used in-depth interviews with owners. In addition, we conducted in loco observation of microfranchise routines. Finally, intra- and inter-case approaches are taken for the purposes of data analysis.

Figure 2 Research design
The selection of the microfranchisees was based on a list available from the Brazilian Association of Franchises (ABF) website; the authors access this site on February, 2014. Approximately 130 emails were sent to microfranchisees, eight of which were interested in participating in this research, with six among them being selected for this study. The ‘entrepreneur’s firm’ perspective, commonly utilised in studies on small businesses and entrepreneurship, is adopted here (Dana and Dana, 2005). Through this perspective, the entrepreneur’s perception of his own reality is taken as a source of qualitative data for research purposes.

These six microfranchisees are distributed among the following segments, according to ABF’s classification: two microfranchisees (Business, Services and Convenience), two microfranchisees (Education and Training) and two microfranchisees (Sports, Health, Beauty and Leisure). ABF’s sector reports (2014c) present the following characteristics of these franchise chain segments: ‘Business, Services and Convenience’ is composed of 272 franchise chains and 24,811 franchise units and presents an income of USD 9.3 billion. ‘Education and Training’ is composed of 284 franchise chains, 13,472 franchise units and an income of USD 2.8 billion. ‘Sports, Health, Beauty and Leisure’ is composed of 508 franchise chains, 21,642 franchise units and an income of USD 8.2 billion. The general characteristics of these franchises are described in Table 1.

Table 1  Profiles of the analysed chains

<table>
<thead>
<tr>
<th>Franchise</th>
<th>Sector</th>
<th>Area of activity</th>
<th>Company foundation</th>
<th>Franchise operations</th>
<th>Franchise units</th>
<th>Franchised units</th>
<th>Franchisor units</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Education and training</td>
<td>Complementary studies, Portuguese for foreigners and computer classes</td>
<td>2007</td>
<td>2008</td>
<td>76</td>
<td>0</td>
<td></td>
<td>From USD 11,200</td>
</tr>
<tr>
<td>B</td>
<td>Education and training</td>
<td>Portuguese, mathematics, English and complementary studies</td>
<td>2010</td>
<td>2011</td>
<td>137</td>
<td>0</td>
<td></td>
<td>Between USD 4,800 and USD 21,500</td>
</tr>
<tr>
<td>C</td>
<td>Sports, Health, Beauty and Leisure</td>
<td>Elderly care</td>
<td>2008</td>
<td>2009</td>
<td>89</td>
<td>0</td>
<td></td>
<td>Between USD 7,400 and USD 14,900 + furniture costs</td>
</tr>
<tr>
<td>D</td>
<td>Sports, Health, Beauty and Leisure</td>
<td>Elderly care</td>
<td>2006</td>
<td>2006</td>
<td>17</td>
<td>1</td>
<td></td>
<td>From USD 11,200 + furniture costs</td>
</tr>
<tr>
<td>E*</td>
<td>Business, Services and convenience</td>
<td>Nutrition of plants and gardens</td>
<td>1998</td>
<td>2011</td>
<td>62</td>
<td>1</td>
<td></td>
<td>Between USD 13,000 and USD 14,000</td>
</tr>
<tr>
<td>F*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Franchisees that belong to same chain, but with different properties and locations

Source: Authors
Aiming to select the same number of participants from each segment, criteria were established for the selection of the microfranchisees. These criteria were based on the following equally weighted considerations:

1. the date of the chain’s foundation
2. the date of adoption of the franchising system by the chain
3. the entrepreneur’s length of experience as a microfranchisee
4. the number of franchise units in a chain.

These criteria are important in analyses of franchise chains that have more mature franchising mechanisms (Elango, 2007).

The interview guide was pretested with two specialists to ensure that all important elements were included in the guide and to ensure that interviewees would clearly understand the proposed questions. After this process, appropriate modifications were made to the interview guide. In addition, this initial exploration of the interview guide was important to prepare and train ourselves (the researchers). It was important to understand our interview questions, familiarise ourselves with the interview structure and to ensure that during the interviews, all answers would have been aligned with our research objectives.

The interviews were scheduled by email or telephone. In loco interviews were conducted in February and March 2014 where the franchisors were operating. These microfranchises were all located in the city of São Paulo, Brazil.

The interview script was formulated with questions on:

1. the entrepreneur’s personal background (Carvalho and Gonzalez, 2006; Farmer et al., 2011), which includes the availability of resources for opening the franchise (Vale et al., 2014), the duration of the franchisee’s participation in the chain (Juste et al., 2009), family influence (Zellweger et al., 2011), previous professional experience (Carvalho and González, 2006) and educational background (Hazeldine and Miles, 2007)

2. evaluation of the support received by the franchisee regarding training (Pavlin, 2013), field consultancy (Monroy and Alzola, 2005) and operational manuals (Perrigot et al., 2013)

3. brand evaluation regarding market recognition (Grace and Weaven, 2011) and the franchisor’s credibility (Nyadzayo et al., 2011).

It is important to highlight the conceptual understanding of ‘value’ and ‘value perception’. Value perception is a consumer’s estimation of the utility of the product based on perceptions about what is received. In turn, value perception from the support to franchisees derives from the epistemic value generated by the franchisor (Zeithaml, 1988; Whittaker et al., 2007). Franchisees are the ones who will determine, through their ‘perception’, the ‘value’ in this partnership, as beneficiaries of the franchisor’s services and brand (Vargo and Lusch, 2004a, 2004b; Chiou et al., 2004).
During the data analysis, a descriptive intra-case and inter-case analysis was considered, oriented by the following categories:

1. entrepreneur’s personal background
2. franchisor’s support
3. chain’s brand

The objective of the data analysis is to obtain patterns of responses and repetitions among the cases (patterns) to better understand the organisation’s recurring behaviours. Thus, a large part of the multiple case analysis techniques proposed by Eisenhardt (1989) are relevant, and even though it is qualitative in nature, it is more oriented towards a positivist perspective than towards interpretational constructivism.

4 Case description: intra-case analysis

4.1 Entrepreneurs’ backgrounds

Microfranchise A has been a part of the chain for five years and has previous entrepreneurial experience gained in a different sector. The choice for a microfranchise over a regular franchise was due, mostly, to the low investment capital required, making the use of personal capital possible. In addition, the ‘home-based’ concept, through which it is possible to open up a franchise in your own residence, also influenced the microfranchisee’s decision.

Microfranchise B has been a part of the chain for 3 years. This microfranchisee has a degree in languages and 30 years’ experience as an English and Portuguese teacher. This microfranchisee has previous experience with other microfranchises. In her opinion, previous business experience facilitated her negotiations with the franchisor: because I know the law and my rights I have a better notion of what the franchisor can do. The choice for a microfranchise was due to both the business concept and the pedagogical proposal presented by the chain.

Microfranchise C states that entrepreneurialism runs in her family, commenting on how his father used to live in a rural area and owned a corn thresher and, later, how he opened up an ice-cream shop when he moved to the city. She claims to have chosen to open a microfranchise because it enables her to work in accordance with her own personal values. There’s the aspect of not depending on anyone to make up your rules, right? And also the possibility of doing, really, what you believe in [...] In addition, the fact that the franchise required a low entry investment was also a decisive factor.

Microfranchise D represents a partnership formed by three nurses that had previous, operational, work experience in a public hospital. Regarding the partner that was interviewed, there was no family background, with his family exhibiting aversion to risk: I didn’t grow up watching my father being an entrepreneur, watching him run his business. The reasons that led him to open up the microfranchise were the initial value of acquisition combined with the possibility of professional growth.

Microfranchise E was established six months ago through a partnership between two family members, one of which has experience as a high school teacher and the other has worked in the commercial sector, in large companies. There is no family background, in
this case, of entrepreneurship. Three reasons for choosing to pursue microfranchising were stated:

1. the requirement of a low investment
2. ‘home-based’ work organisation
3. the chain’s concept.

We wanted a business that was pleasurable and that was connected to the issue of sustainability, which was essential! It is highlighted that the source of finance used to acquire the microfranchise was personal resources.

Finally, Microfranchise F has existed for around one year, with only one owner that based on his previous work experience understands that he identified, in the current franchise, a business opportunity. His previous work experience is in the domains of social responsibility and sustainability, which influenced his decision. His family exhibits entrepreneurial characteristics: she has a sister that owns a landscaping company, a brother that has owned a company of medical equipment brand representation and a cousin that owns two restaurants. The reason that led him to choose the microfranchise was mainly the low initial investment.

4.2 Value perception of the support to franchisees

Microfranchisee A highlighted that the training sessions only occurred after complaints were made by the franchisees, until 18 months ago there was no training at all. Several problems were pointed out with the support system, with regard to knowledge on commerce, finance and human resource management, for example. Field consultancy is currently not taking place, and during five years, it occurred only twice. The franchisor focuses consultancy on internet applications. (he) calls me on Skype and says: tell me what you need. Regarding the operational manual, the microfranchisee considers it extremely technical, standardized, and complete. According to the microfranchisee, the implementation manual has provided the most utility.

To microfranchisee B, training sessions provided by the franchisor are, overall, insufficient and limited in frequency. Training about customer treatment is focused on online tools and is aimed at the acquisition of language skills via courses. As the interviewee puts it: A father comes in with a note from a neurologist, saying ‘my son has this problem, how can you help me’? How can I answer: do you want to pay by check or credit card? Other training is non-existent or depends solely on the microentrepreneur’s initiative to watch video classes or to read manuals. Field consultancy is based on online support by the franchisor and the only field analyst that visited was sent per request of the microfranchisee. Operational manuals are not updated and concern only basic issues and other elementary aspects that are not helpful to the franchisees’ needs, concerns and doubts.

In the opinion of Microfranchisee C, the training offered by microfranchisor C occurred in the moment of the franchisee’s acquisition, with training focused on operational aspects. Other non-operational aspects are perceived as insufficient. Regarding field consultancies, the interviewee claimed that no such initiative exists by the franchisor because the consultancies are conducted online (through Skype and email), lacking practically any support towards customer care operations. In terms of the
Brazilian microfranchising chains

operational manuals, the franchisee commented that a manual was distributed, but updates are needed.

Regarding the training received from microfranchise D, the interviewee stated that at the moment, the franchise was acquired, intensive training took place, during a week, at the franchisor’s head office involving all types of relevant knowledge. Besides this training, the interviewee admits that there is a close and daily relationship between franchisor and franchisee despite the lack of events. Training and field consultancies are determined after acquisition. There is a manual that was not considered complete due to the manifold particularities of each situation experienced by the franchisee but this manual: *Does answer the needs of a franchisee, for him to understand the functional aspects. After that it’s a management issue [...] the [franchisee’s] capacity to be successful.*

Microfranchise E had existed for five months at the time of the interview, and the microfranchisees had been submitted to initial training. The customer service, financial and commercial management training were considered effective. The field consultancies happen yearly, being previously scheduled by the franchisor. However, in the event of unexpected needs, the microfranchisee stated that *if I need it earlier, I can call and they’ll come, there is this possibility.* There are alternative support channels online, like Skype and e-mail. Regarding the operational manual, the microfranchisee considers it well formulated and, in his words: *the manual is very detailed and even if you remain in doubt, there’s a direct connection to the support [channels].*

The interviewee from microfranchise F perceives solid support from the franchisors to their needs, being very amenable and consistently helpful. Besides offering initial training to the microfranchisee and the existence of an annual convention, it was stated that it is a paternalistic, family company: *they could be making more money than they currently are, but they are very fair. They don’t want to give the franchisees any motive to quit.* The interviewee also highlighted the support received for the in loco consultancies: *they take the franchisee by the hand and teach him, staying two or three days in the city. Have you ever seen such a thing?* There is an operational support manual, but this step-by-step guide is still premature, due to the company being established only recently, which is perceived to be compensated by the constant support offered to the franchisees.

4.3 Chain’s brand value perception

*Microfranchisee A* admits that at the moment, when he acquired the microfranchise, it was a brand without any recognition, *I bought a business plan, I was aware that it was an inferior brand.* Regarding the perception of the brand’s solidity and credibility, the franchisee understands that it is not consensual among the clients that it is a brand with positive attributes.

*Microfranchisee B*, similarly, suggests that it is a little known brand especially for his customers: *it’s an illustrious unknown; they come because of the mouth to mouth indications, not because they know the brand.* The interviewee commented that he expected to benefit from being inserted in, and belonging to, a franchising holding. The solidity, credibility and transparency of the brand are also perceived as problematic by the interviewee.

Regarding brand propagation, to *Microfranchisee C*, the initiatives are concentrated on the microfranchisee alone: *You have to make the business grow on your own [...]
We started [brand] promotion from the moment we went to the streets. It was also observed that it would be more beneficial to act outside of the franchise: I’ve thought about cutting loose from the brand and starting my own business, but I have a mandatory period, by contract, in which I cannot work in the same sector. The microfranchisee understands that the brand is still in construction, accepting a certain degree of flexibility for the operational actions of each franchisee which may be prejudicial for the brand’s solidity.

Another interviewee understands that his microfranchise D generates value for his business because he is seen in a better light through the franchise than he would be if he acted alone, without the associated brand. However, he also thinks that there is little brand appeal due to the fact that it is not well known: If he [the customer] receives two cards from two different companies, I don’t think there’s appeal. Finally, the interviewee commented that he considers the close relationship with the franchisor a point to be highlighted in the microfranchise and that the franchisors are polite and professional, considering them honest and ethical.

Microfranchisee E, regarding the chain’s brand, considers the brand as an attractive proposal for the franchisees, although recognising that at first, for the customers, it’s one more gardening company [...]. For the interviewee, the attributes developed by the brand evoke credibility, however, tradition is still lacking. Finally, the franchisor’s actions are seen as transparent; the franchisor’s main concern is to develop gardening solutions rather than being blindsided by bold expansion plans.

The interviewee from microfranchise F has, from the beginning, identified with the brand and has defended the franchisor many times, the people involved or even the product offered by the company. However, it was highlighted that the brand is weak and that it depreciates the franchise. It was commented that proximity to the franchisors ensures brand’s transparency. She also mentioned that the communal atmosphere that emanates from the franchisors reaches the franchisees: It’s a very united family, something else completely. The impression that I get is that they only sell the franchise to good people.

5 Inter-case analysis

5.1 Entrepreneurs’ backgrounds

5.1.1 Resource availability

Financial constraints to investment in a franchise is presented by almost all the microfranchisees, with the exception of case B. Investment return expectations may influence perceptions about the franchisors support and the chain’s brand; franchisees with (smaller) larger returns than expected may have (negative) positive value judgments.

5.1.2 Length of the franchisee’s participation in the chain

We observed that microfranchisees A, B and C have a certain degree of maturity in the franchising system, having gone through many steps in the maturing process with the franchisor. These are microfranchisees that have accompanied their franchisors since the
The first years of the chain’s foundation. On the other hand, microfranchisees D, E and F are recent, with no more than one year in the chain. Microfranchisees D, E and F are apparently still in the honeymoon period (Blut et al., 2011), due to their initial enthusiasm with their first business. They show to be dreamers regarding the professional aspects and are susceptible to believe more in the franchisor’s management directives. However, microfranchisees A, B and C may have gone through disillusion and “wear and tear” which tends to negatively influence the value perceptions of the analysed attributes. Therefore, this signals that there is no congruence with traditional theory, as exposed by Juste et al. (2009) which shows that the first to participate in franchise chains has better gains.

5.1.3 Family influence
In cases A and F, there is the additional characteristic of the microfranchisees being from families of small business owners, which may have stimulated their own entrepreneurship (Carvalho and González, 2006). Due to the fact that they were raised in families that owned businesses, these factors may have improved their expectations towards the franchising system, mainly about the support from the franchisor. However, perceptions about support and brand do not seem to be related to this family history, as proposed by Zellweger et al. (2011).

5.1.4 Previous professional experience
Microfranchisees A and B present previous business experience. Particularly, microfranchisee B has previous experience with franchises which may facilitate comparisons between the support and brand of prior versus current franchisors. Furthermore, microfranchisee A may use his knowledge about business dynamics, basing his evaluations not on previous knowledge of franchising but on previously experienced business realities. However, in neither of these cases, does perception of support and brand seem to have been influenced by these histories, seen as experiential learning (Politis, 2005).

5.1.5 Educational background
None of the microfranchisees had an education in areas related to business; if they did, this could have provided them with more aptitude and knowledge of entrepreneurship (Mueller, 2011). These technical profiles, or lack thereof, may influence perceptions of support and brand, due to the fact that they lack a business education. Thus, the microfranchisees may exhibit deeper reliance on the support from the franchisor and, for attracting customers, on the chain’s brand. However, because in no case, was a business education present, variation in the results vis-à-vis perceptions about support and brand cannot be attributed to this.

5.2 Value perception of the support to the franchisee

5.2.1 Training and in loco consultancy
Vis-à-vis training and in loco consultancy, it is interesting to remark that microfranchises A, B and C complained about this lack of support from the franchisor. On the other hand,
microfranchises D, E and F perceive the opposite, meaning that they believe the training and *in loco* consultancy received were adequate. The main factor that differentiates these groups is the time that each of them has spent associated to the franchise chain. In the first group, this partnership has lasted for at least three years, whereas in the second group, this partnership has lasted no more than one year. To elaborate, this difference seems to stem from microfranchisees’ optimism. In early stages, they can be conceived as ‘dreamers’ regarding the business. In this *honeymoon period*, there is a feeling that current expectations are realistic and will thus become manifest in the future (Blut et al., 2011).

5.2.2 Operational manual

Relating to the support to the franchisee all the interviewees mentioned having an *operational manual* of the franchise and although none of them perceived this document as being worthless, none of them believed it was sufficient for the purposes of complete knowledge transmission between franchisor and franchisee; this observation is supported by Perrigot et al. (2013) who acknowledge such manuals that are only one fraction of the overall support repertoire.

5.3 Chain’s brand: value perception

5.3.1 Market recognition and franchisor’s credibility

The results collected, relating to the chain’s brand, seem to have a similar interpretation to those about brand support. This is due to the fact that microfranchisees A, B and C, the group with the longest associations to the franchise chain, stated that they are not satisfied with the *chain’s brand market recognition* and also with the *brand’s transparency and solidity*. The second group’s (microfranchises D, E and F) sole dissatisfaction was from *case E* regarding the chain’s brand recognition. However, what is observable in *cases E and F* that represent the same franchise chain, is that the marketing campaigns and market structures seem to still be immature, with considerable opportunities for improvement. This difference between the two groups is justifiable, then, by again invoking the concept of *honeymoon* (Blut et al., 2011). Importantly, data indicate that the oldest microfranchisees exhibit dissatisfaction with the franchisor’s *transparency and confidence*. It is possible to identify possibly opportunistic behaviours in chains, a phenomenon amply discussed in the franchising literature (Castrogiovanni et al., 2006) that seems to become evident after the period of initial optimism and excitement about the microfranchise subsides. What supports this clear *honeymoon* effect (Blut et al., 2011) is the fact that microfranchisees who have been operating for longer, have relationship concerns with the franchisors. The disappointment at their expectations not being met and frustrations regarding a level of success that was not attained seem to stem not simply from market aspects, but mainly from relationship problems with the franchisors. Table 2 provides a case-based synthesis of results. These findings not only provide results in different moments of the microfranchising life course which are important from a theoretical standpoint (Camenzuli and McKague, 2015); by definition, they also testify to the importance of considering the timing effect when studying microfranchising.
<table>
<thead>
<tr>
<th>Micro Sector</th>
<th>Key results</th>
<th>Support perception</th>
<th>Brand perception</th>
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</thead>
<tbody>
<tr>
<td>A</td>
<td>Education and training</td>
<td>• Financial restrictions&lt;br&gt;• 5 years in the chain&lt;br&gt;• Family with small business&lt;br&gt;• Previous entrepreneurial experience - Pet shop&lt;br&gt;• Education in pedagogy</td>
<td>• Insufficient training&lt;br&gt;• Insufficient field consultancy&lt;br&gt;• Acceptable operational manual</td>
</tr>
<tr>
<td>B</td>
<td>Education and training</td>
<td>• No financial restrictions&lt;br&gt;• 3 years in the chain&lt;br&gt;• Previous entrepreneurial experience - Industry and language courses franchise&lt;br&gt;• Education in languages</td>
<td>• Insufficient training&lt;br&gt;• Insufficient field consultancy&lt;br&gt;• Acceptable operational manual</td>
</tr>
<tr>
<td>C</td>
<td>Sports, Health, Beauty and leisure</td>
<td>• Financial restrictions&lt;br&gt;• 3.5 years in the chain&lt;br&gt;• No previous experience with business ownership, but father used to own small businesses&lt;br&gt;• Experience as a social services agent in health organisations&lt;br&gt;• Education in social services</td>
<td>• Insufficient training&lt;br&gt;• Insufficient field consultancy&lt;br&gt;• Acceptable operational manual, with restrictions</td>
</tr>
<tr>
<td>D</td>
<td>Sports, Health, Beauty and leisure</td>
<td>• Financial restrictions&lt;br&gt;• 6 months in the chain&lt;br&gt;• No previous business experience&lt;br&gt;• Education in nursing</td>
<td>• Sufficient training&lt;br&gt;• Acceptable field consultancy&lt;br&gt;• Acceptable operational manual</td>
</tr>
<tr>
<td>E</td>
<td>Business, Services and convenience</td>
<td>• Financial restrictions&lt;br&gt;• 6 months in the chain&lt;br&gt;• No previous business experience&lt;br&gt;• Education in chemistry</td>
<td>• Sufficient training&lt;br&gt;• Acceptable field consultancy&lt;br&gt;• Acceptable operational manual</td>
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Table 2  Key results (continued)

<table>
<thead>
<tr>
<th>Micro Sector</th>
<th>Entrepreneur background</th>
<th>Support perception</th>
<th>Brand perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>• Financial restrictions and identification with the franchise’s culture</td>
<td>• Sufficient Training</td>
<td>• Acceptable - Product differentiation</td>
</tr>
<tr>
<td></td>
<td>• 1 year in the chain</td>
<td>• Acceptable field consultancy</td>
<td>• Acceptable - Franchisor with credibility and transparency</td>
</tr>
<tr>
<td></td>
<td>• No previous experience with business ownership but with experience in market analysis</td>
<td>• Acceptable operational manual</td>
<td></td>
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</tbody>
</table>

Source: Authors

Thus, the data show a lack of preparation by the microentrepreneurs through a technical perspective and at times an emotional one, with expectation ruptures occurring as time progresses; this is important given ongoing debates in this domain. This highlights the persistent need to better educate and inform microentrepreneurs. In the case of franchise chains, this need could be met by internal educational programs and even by better screening and alignment before the franchisee’s installation.

Due to the fact that microfranchises have smaller structures, this may provide an opportunity for the franchisor to develop better and closer relationships with his franchisees. Besides, such proximity could favour the adequation to diverse operational locations - smaller cities, generally excluded from or with limited access to the franchise system.

Furthermore, vis-à-vis the franchisor, short-term actions characterised by a greater concern with the chain’s growth and negligence towards the development of its quality standards can corrode the brand’s image and, most importantly, jeopardise its long-term growth.

6 Concluding remarks

The results indicate the importance of the microfranchisees personal background. Most of them, without previous knowledge, have somewhat vague and unrealistic expectations about business’ growth, management and investment return. However, when talking to microentrepreneurs, more than their age, or their previous managerial experience or even the (business) educational background they might have, the variable that emerged as the most relevant to explain the differences in the perception of brand image and franchisor’s support was the duration of the franchising relationship. The more time a microfranchisee has in the franchising contract, the more concerns and claims he/she might seem to have.

In other words, this testifies to the influence of the honeymoon period (Blut et al., 2011) on the perception of the brand and support received. Indeed, we demarcated two groups based on the amount of time participating in the microfranchise: with up to one year as a franchisee or with more than three years as a franchisee. In all six cases analysed, we noticed a disjoint between actual backgrounds and the competencies needed to manage a business. The timeline exposes these shortcomings in entrepreneurial background after three years of experience as a microfranchisee. Microfranchisees A, B and C, who have more experience in the relationship with their respective franchisors and who have also
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passed through more relationship phases, negatively evaluate franchisors with respect to franchising components. On the other hand, microfranchisees D, E and F, who are still in the early stages with their businesses, positively perceive the franchisors’ support and the franchising brand.

Unfortunately, negative perceptions about transparency and trust regarding the microfranchiser in longer lasting relationships does not just reflect brand problems and insufficient support. The lack of a trustworthy relationship between both parties, common in worn out relationships, generates a halo effect on the microfranchisee who is biased to think that all that is proffered from the microfranchisor is deficient.

This article’s academic contributions reside in complementing the limited number of publications on microfranchises (Fairbourne, 2006; Oduor et al., 2009; Nghia, 2010; Burand and Koch, 2010; Kistruck et al., 2011; Melo et al., 2014), more specifically punctuating the microfranchisee’s value perspective regarding the support offered by the franchisor and the chain’s brand. Our results support the exploratory research carried out by Melo et al. (2014) in demonstrating dissatisfaction vis-à-vis brand evaluation by microfranchisees. However, this research differs from the study mentioned noting that it is not only the brand that the microfranchisees evaluate negatively, but also the support received from franchisors. These contributions are understood in terms of the concept of the honeymoon period, in which the longer the relationship with the established franchise, the less favourable the evaluation of the actions of the franchisor, as per Blut et al. (2011).

If at the initial stages, appropriate motivation and adequate collaboration exist between the parties, due to the microfranchisee’s naiveté regarding management practices, after the honeymoon period, the satisfaction with the franchisor’s transparency and trustworthiness decreases. The relationship between the parties is thus shaken, jeopardising the business model. That is, precisely, this article’s contribution, the finding of these distinct stages of support perception and brand perception are partly mediated by the backgrounds of microfranchisees.

It is, therefore, understood that the honeymoon effect (Blut et al., 2011) is a relevant moderator in the study of microfranchises. Facing a scenario in which the honeymoon period is identified the franchisor’s efforts cannot be exclusively focused on business expansion through the acquisition of more affiliates for the franchise chain. It is important to consider the idea of sustainable growth. This requires an investment by the franchisor aimed at keeping his current franchisees. This seems to pose a challenge for the franchisors given the dissatisfaction observed herein, and consequently, there is a predisposition of the longer lasting microfranchisees to rupture the relationship.

In this sense, the managerial contributions contemplate the issue of adjusting the services provided by franchisors to microfranchisees, be it in terms of support or the brand development. If the microfranchisee is a low income entrepreneur that has shown to be a dreamer with little managerial knowledge, he seeks the microfranchisor for support in order to leverage his professional growth expectations. Thus, these transformations can occur through greater investment by franchisors in training microfranchisees in order to increase their domain knowledge and expertise; field assistance provided by franchisors aiming to facilitate and corroborate franchisees’ learning more regularly; the development of local and digital marketing actions to reinforce the brand.

In terms of limitations, first, concerns could be expressed related to the franchising components that were analysed. This refers to the support to the franchisee, composed of
training, field consultancy and operational manuals. Additionally, concerns could be expressed in terms of operationalising brand perception via brand recognition and credibility. We recognise that both support and brand perception are composed of more attributes than were analysed herein, and there is certainly scope for future research which takes a more multifaceted approach in this respect. Another limitation is related to the actors analysed, restricted to microfranchisees and excluding franchisors and customers. Finally, in terms of limitations, this exploratory qualitative study was based on interviews with only six participants; the corollary being that generalisation beyond our sample should be avoided for various reasons.

There are several suggested research themes based on this article

1. research into the rising entrepreneurial middle class and the acquisition of microfranchises, seeking to understand their values and technical capabilities for the purposes of making pragmatic operational recommendations
2. research into low-income consumers and the products to be offered by microfranchises
3. quantitative analysis of differences and relationships between microfranchisees value perceptions and personal histories
4. explore strategies of microfranchisors for the management of microfranchisees, seeking to understand their abilities to overcome resource restrictions
5. the competitive and adaptive insertion of microfranchises in the context of economic crises
6. the expansion of microfranchises in municipalities of the interior in which they are currently underrepresented.

References


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