



Exploring franchise system development in France



Laurent Sié^a, Timothy Pett^{b,*}, Ian Hipkin^c

^a Groupe ESC PAU, France

^b Rollins College, USA

^c Groupe ESC-Pau, France

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ABSTRACT

The process of implementing successful franchise system has received limited attention in the literature. The purpose of our paper is to replicate in France a franchise development model developed in New Zealand that identifies significant sequentially activities in the franchising process. Using a case study approach franchisors in ten French start-up franchisees were interviewed in order to determine how they applied the franchising process identified in the New Zealand study. A quantitative measure is derived as the basis of comparison for different approaches in the two countries. Our findings lend some support for the model, while revealing interesting differences between franchise development in the New Zealand study and the franchising start-up environment in France.

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1. Introduction

Franchising relies on a strategic and operational relationship that enables participating firms to reap the rewards of a franchisor's products, services and systems. Its aim is to replicate the franchisor's business model through franchisees with local knowledge and entrepreneurial drive (Barthélemy, 2008). Most research in this area examines the strategy behind franchising (*why* does a firm franchise?) with rather fewer studies exploring the process of formation and operationalization (*how* does a firm franchise?) (Dant, 2008).

The aim of this paper is to utilize the theoretical model of Floyd and Fenwick (1999) to examine the processes related to start-ups of new franchises in France. Floyd and Fenwick (1999) proposed a franchise process model using four identifiable stages of development which they termed the hatchling, nestling, fledging and adult stages. Our paper replicates the first three stages of the model in order to expand the knowledge base of the franchising process in another country context: France. We collected qualitative data from 10 French franchise systems in order to compare their activities with those in the Floyd and Fenwick research.

The purpose in replicating the New Zealand study in France is to compare franchise development in two developed countries, but with different institutional and business customs. The intent of this paper is to contrast franchise system start-up operations in an open Anglo-Saxon business environment with those in a more regulated French setting. It will be seen, for example, that French legislation presents franchisors with an obligatory hurdle which does not exist in more liberal economies. One consequence of this seems to result is a closer bond in France between the franchisor and franchisee early on as they combine their efforts to overcome bureaucratic challenges and constraints. Further differences are discussed and

* Corresponding author.

E-mail address: tpett@rollins.edu (T. Pett).

Table 1
Details of French franchising organisations.

Sector (business activity)	Type of franchise (franchised brands)	Ownership structure	Market approach	Years franchising	Years before franchising	Total franchisees (2009)	Total outlets including owned
Hotel chain	Multi-franchisor (13)	Public (CAC 40, Paris)	B2C/B2B Service	3	50	23	26
Household removals	Multi-franchisor (2)	Private	B2C Service	3	40	31	31
Car washing	First-time franchisor	Private	B2C/B2B Service/ product	2	5	22	24
Domestic services cleaning	First-time franchisor	Private	B2C Service	2	18	15	22
Commercial/industrial cleaning	First-time franchisor	Private	B2B Service	3	12	7	8
Signage, banners and displays	Master franchisor	Private	B2B Service	4	20	17	17
Domestic building supplies	Bottom-up franchisor	Private	B2C/B2B Product/ Service	3	30	42	42
Smoothies/juice bar	First-time franchisor	Private (family business)	B2C Product/ Service	3	0	8	10
Restaurant/ winery	Multi-franchisor (2)	Private (family business)	B2C Product/ Service	2	0	5	7
Chocolate production/ distribution	First-time franchisor	Private (family business)	B2C Product/ Service	1	56	13	20

highlighted below.

2. Literature

Grewal et al. (2011) acknowledge a shift towards the relationship between franchisors and franchisees, but bemoan the lack of theory pertaining to 'how' franchising occurs. Combs et al. (2011) identified a need to introduce factors that address the operation of a franchise. They argue that franchising is increasingly encountered in sectors with a significant service component and close proximity to customers, although customers are generally unaware whether an outlet is franchised and firm-owned.

Floyd and Fenwick (1999) present franchise development in four stages. The basis of their research is that 'franchise systems experience common problems arising at similar stages in their development ... these problems and their solutions define a sequence of identifiable stages common to the development of most franchise systems'. Floyd and Fenwick listed distinct franchise development activities and created a numerical assessment of those that were categorized into four development stages of franchising. The establishment and formulation of a viable business idea are referred to as the *hatchling* phase: strategic and operational matters are decided in a conventional (non-franchising) sense. Firms intending to franchise then move to the *nestling* phase, where single unit or multi-businesses are established and franchisees are selected. This stage begins with the commitment to franchising by the creator or owner (franchisor) of the original business concept. In the *fledgling* phase trading commences, characterised by management systems (support of franchise systems), addition of new franchisees, and consolidation of an effective franchise management team and systems. The final *adult* stage focuses on managing the franchisor–franchisee relationship, upholding the brand and market share, and ensuring internal efficiencies. Because the focus of our paper is on start-ups of new franchise systems within France, the adult stage was not investigated.

3. Methodology and data collection

Because the purpose of this paper is to replicate the New Zealand study of Floyd and Fenwick (1999) in France to determine the extent of cross-cultural differences in franchise systems start-up. We adopted a replication approach, thereby supporting the contention of Davidson (2015: 13) argument that replication is important in ensuring that authors' methods are not 'geared towards results that match their hypotheses'. Following Davidson recommendations, we provide the necessary details of the methodology adopted.

The unit of analysis is the *practice of franchising processes (les pratiques du processus de franchisage)*. Like in the Floyd and Fenwick study, a multi-case study approach permitted the exploration of how the franchising process progresses. In a replication study it is important to understand whether similarities and differences can be ascribed either to inter-industry differences or inter-country variances. Floyd and Fenwick (1999) ensured inter-industry generalizability by selecting cases across five contrasting sub-sectors, age and size, path to franchising, age before franchising and location. In order to enhance more the industry variations, the selection of the 10 French franchises took into account the recommendations of the *French Federation of Franchising* and *Observatoire de la Franchise*. Those interactions added new selection criteria to Floyd's and Fenwick's ones: enhancing the number of contrasting sub-sectors, taking into account type of franchisor (multi-franchisors, first-time franchisors, master franchisors and bottom-up franchisors), the ownership structure (public or private companies), the type of segmentation (B2B/B2C) as outlined in Table 1.

A total of 32 first round interviews was held during which the founder (franchisor) in each organization was asked to identify the most important issues involved in the development process of franchising. A total of 42 subsequent telephonic discussions were conducted to clarify divergent points, to verify earlier findings, and to discuss in more detail issues encountered during the franchising process.

A synchronic analysis (Barley, 1990) compared each of our 10 cases with the stages of the Floyd and Fenwick model,

Table 2
Scoring of importance of activities and problems.

Floyd and Fenwick description of activities	Floyd and Fenwick's original scoring	New scale used in this paper
Must complete before moving to the next stage	X	10
Should be completed in this stage	1	3
Requires some planning in this stage	2	2
Requires consideration	3	1
Not relevant	Na	0

which scored the importance of different activities (challenges and problems) using a non-scalar measure. Following Miles and Huberman (1994) it was necessary to devise a linear scale to compare the Floyd and Fenwick scores and our research results. After extensive discussions with respondents regarding the relative importance (weighting) of the four interventions ('must complete', 'should be completed', 'requires some planning', 'requires consideration'), these set of measures were applied as shown in Table 2.

4. Analysis of empirical results

The original 17 activities identified for each stage by Floyd and Fenwick (1999) have been retained and categorized in our study using the procedures outlined above. Following Miles and Huberman (1994), our analysis seeks to compare franchise systems and contexts by calculating a spread of importance of activities. This quantifies the difference between franchising actions in New Zealand and France: for each franchise activity in Table 3 (initial concept development, obtaining customers/delivering services, etc.), the average case hatchling score for all our cases is subtracted from the revised 'modified' Floyd and Fenwick score develop in Table 2. This approach was repeated for the nestling and fledgling stages. Negative items in Table 3 indicate that French franchisors consider these items to be more pressing than in the New Zealand sample; positive items denote less urgency or importance on the part of the French companies. The results illustrate that most activities have scores in both the nestling and fledgling stages, similar to those reported in the cases presented by Floyd and Fenwick study. Suggesting that most respondents faced similar issues at the beginning of franchise system formation, for example, 'format refinement' as part of attracting franchisees (nestling), while others viewed this as a component in fine-tuning franchise development (fledgling).

4.1. Hatchling: concept development

The hatchling stage describes the initiation and creation of a business by the owner (future franchisor). One may surmise that franchisor procedures for arriving at the hatchling stage would be similar regardless of country context, since firms operationalize in more or less the same way. However, a comparison of the French findings with those of Floyd and Fenwick reveals interesting differences. With reference to 'initial concept development', 7 out of 10 of the French franchisors ignored the importance or value of the brand: brand was not mentioned during interviews. This is surprising as some suggest that branding and transferring know-how are key aspects in the creation of franchise systems (Barthélemy, 2008).

Nevertheless, three of the franchisors acknowledged the importance of the brand for a successful franchise. The hotel chain had developed a 'push' brand strategy, by developing the 'DNA' of the brand which was applied to every subsequent franchise launch, as explained by the marketing director:

'Initially there was the creation of a brand and only later, how it would be developed through franchising. We were working on a new brand with an agency. It was only later that the franchising team joined the project.'

The domestic removal firm and car washing company represented a 'pull' brand. The household removal company lacked financial resources for an advertising campaign, but understood the value of the brand, focusing on public relations, being attractive to the media, and worked on improving their Google ranking. The founder of '2movebyyourself.com' stated:

Table 3
Spread of importance of activities.

Activities in franchise system development process	Hatchling		Nestling		Fledgling	
	NZ	France	NZ	France	NZ	France
Initial concept development	3	-0.88	3	0.38	-	-0.13
Obtaining customers and delivering p/services	3	-	3	-	3	-
Format refinement	0	-	3	-2.21	3	0.25
Replicating and testing format	0	-	3	-1.63	-	-0.13
Support infrastructure establishment	0	-	3	-0.21	10	3.75
Capital for infrastructure development	0	-	3	0.08	2	0.04
Finding good franchisees	0	-	10	2.46	10	1.75
Helping new franchisees	0	-	2	0.08	10	1.75
Securing good outlets (some systems only)	0	-	3	0.29	10	2.04
Franchise head office management team	0	-	3	0.50	10	5.38
Helping established franchisees	0	-	-	-0.50	10	5.54
Franchisor-franchisee relationship	0	-	2	-0.17	3	-3.92
Persuading franchisees to adopt franchisor initiatives	0	-	2	0.83	2	0.71
Monitoring franchisee conformity to standards	0	-	1	-0.21	2	-0.75
Dealing with opportunistic behavior	0	-	1	0.29	1	0.25
Maintaining competitive positioning	0	-	-	-0.38	1	-0.08
Potential legal disputes	0	-	1	-1.17	1	-0.08

'The internet was very important. Our top search engine ranking is more important than the physical location of the franchisee's outlet. The .com in the name was a *sine qua non* condition for creating the brand. We worked very hard on it.'

A different approach was used by the car washing franchise: developing 'story telling' for their brand by projecting themselves as a dry carwash system that saves water using their own environmentally friendly product. The founder of the car washing company explained:

'It is a totally new concept – with social and environment friendly values – so it was really very attractive for the media ... we have been interviewed about 60 times on TV, including prime time talk shows and TV news.'

4.2. Nestling: business development

The nestling stage represents a commitment to franchising by the founder or owner of the original business. Results for the nestling stage in our study differ somewhat from those in the Floyd and Fenwick model. French franchisors were initially more focused on refining the format of the original business concept than looking for new potential franchisees (hence the difference or spread scores of -2.21 for format refinement and -1.63 for replicating and testing format, indicating that this activity is considerably more important in France). This may be attributed to the French *Article L 330-3 du Code de Commerce* (Doubin's Law), which requires franchisors to compile a Document d'Information Pré-contractuel (DIP) before entering into a franchising contract. The DIP contains details of the franchisor's business model, track record, products and services, details of existing and past franchisees.

The 'finding good franchisees' activity spread score of $+2.46$ indicates that early New Zealand franchisors are already seeking franchisees whereas their French counterparts are still concerned with rigorous formulation of their franchising proposals in accordance with the Doubin Law. Five of the 10 French franchisors had been applying their business models (but not franchising) for several years believing that a franchising concept could not be sold to a franchisee without thorough testing, replication and refinement. The hotel chain established seven different hotels before franchising the concept. The founder commented:

'It was important for us to demonstrate the robustness of the concept ... to be robust before enrolling franchisees'.

The founder of the commercial and industrial cleaning company was more explicit:

'We are experts in our business but not in franchising. We have learnt a lot since then, but we have just outsourced the application process to a consulting firm. We have instructed them to study our standard profile to bring us candidates as potential franchisees.'

As part of the nestling stage several French franchisors put in place systems to 'monitor franchisee conformity to standards'. These included total quality management, quality certification (ISO), mystery customer visits, audits and online customer evaluation. The spread score -0.21 suggests slightly greater importance than in the New Zealand cases.

4.3. Fledgling: initial franchisees

The third stage (fledgling) is the point at which the first franchisee engages in franchising operations. The largest spreads between our study and the findings of the Floyd and Fenwick findings are at this stage. These findings seem to indicate that French franchisors underestimated support infrastructure needed ($+3.75$), the importance of head office franchise management teams ($+5.58$), and the extent to which they were called upon for assistance as issues arose ($+5.54$). The scores suggest that these activities were dealt with far more diligently by the New Zealand franchisors.

Two first-time franchisors specifically recalled difficulties in attaining compatibility between support infrastructure development and the necessary resources. However, the chocolate producer/distributor, succeeded in appointing 16 new franchisees in the first year, but franchisee dissatisfaction was attributed to difficulties in providing support to the new franchisees. The fledgling stage is less salient for multi-franchisors and mixed franchises, because they are able to benefit from their existing infrastructure. An exception is the hotel chain: for most of the time the fledgling stage (where the first franchisee begins operations) was found to be less important.

A further difference between the New Zealand and French franchisors relates to the franchisor–franchisee relationship. The spread score for this factor (-3.92) indicates greater importance in France because legislative and governmental hurdles lead to closer relationships between French franchising partners, as they contend with regulatory burdens.

5. Discussion and conclusion

The findings advance our understanding of the [Floyd and Fenwick \(1999\)](#) model of franchise development, and give preliminary and valuable insight into the franchising process in France. Comments from respondents in our study demonstrate differences that derive from the distinctive contexts of the research, as illustrated by the following examples. The New Zealand context clearly showed the importance of branding during the hatchling stage, whereas in France 70% of respondents revealed that branding had not been considered. During the nestling stage, French companies concentrated on the format of the original business concept (required by French franchising legislation) whereas the New Zealand firms looked for new potential franchisees. At the fledgling stage New Zealand franchisors were meticulous in their efforts to ensure adequate infrastructure, head office assistance and composition of teams. However, without exaggerating beyond the

constraints of a small sample, it was evident that the French franchisors paid less attention to infrastructural and organizational matters, but attached great importance to the franchisor–franchisee relationship.

The time perspective used in this paper highlights the use of these theories: during the fledgling stage of development, the resource based view (prior knowledge of franchising, brand equity) and scarcity theory (funding) play a pivotal role in the success of the franchisor. Only once has the first franchisee been recruited in the fledgling stage, suggested that French franchisors direct their efforts to preparing systems and control mechanisms (agency theory) which align behaviors to shape the future franchisor–franchisee operations.

The contribution of this research is threefold. Firstly, it complements, enhances and challenges the limited literature on franchising start-ups. Secondly, the research responds to the observations of [Elango and Fried \(1997\)](#) on the lack of research in the implementation issues of franchising. Thirdly, the generalizability of results from case study research is a subtle process, this research extends the Floyd and Fenwick view of franchise development into new context.

Franchising is a rich field for further research. There is a need to theorize prioritization of the franchising activities, particularly in different international arenas. Additional research is needed to enhance understanding of the complex nature of the actions that follow the formation of the franchise, and the interplay between franchisee compliance and autonomy. The challenge of knowledge transfer between the franchisor and franchisee still remains largely unexplored.

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