



**ESCOLA SUPERIOR DE PROPAGANDA E MARKETING**  
**Posgraduate Program in International Management PMDGI**

**STRATEGIC AND MARKETING ASPECTS OF THE INTERNATIONALIZATION OF  
BRAZILIAN FRANCHISING**

**Thelma Valéria Rocha**  
**Felipe Mendes Borini**  
**Eduardo Eugênio Spers**  
**Daniela Khauaja**  
**Adriana Camargo**

**Support:**  
**Brazilian Franchising Association - ABF**

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## **PREFACE**

Making decisions amid scarce information or insufficient market data is a major challenge for Brazilian business people. Whenever I bring this up I hear that jargon that such is the culture of our people. I think not. Proof of this is the excellent contribution made by ESPM to the franchising sector.

Expanding operations abroad is what many Brazilian business people wish, but the obstacles are many. Perhaps the most difficult of them is exactly the lack of information on which to base plans and actions.

This 2<sup>nd</sup> study will be valuable for all those who wish to enter the global market because it shows the experiences of franchising that are already in the process of internationalization.

The global market is no going back. Despite so many opportunities here in our country, I recommend our franchisors seek international business for the longevity of their brands and also for the growth of our economy.

We present hereby a thorough sample of the learning these brands have experienced during their international expansion, so that new entrepreneurs do not have to start from scratch.

Congratulations to ESPM and thank you for the generosity of those who participated in this study disclosing experiences so valuable for all business people of the Brazilian franchising sector.

**Ricardo Bomeny**

**Chairman of ABF - Brazilian Franchising Association**



## SUMMARY

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## PRESENTATION

This study was conducted from May to October 2012 as a continuation of the partnership signed in 2010 between the Brazilian Franchising Association (ABF), through its Executive Director, Mr. Ricardo Camargo, and Escola Superior de Propaganda e Marketing (ESPM), through Professor Dr. Thelma Valeria Rocha, Coordinator of the Postgraduate Program in International Management (PMDGI – Programa de Mestrado e Doutorado em Gestão Internacional).

The “internationalization of Brazilian Franchising” has taken so much space in the ESPM Master’s Program in International Management that, in November 2011, the IBF (Internationalization of Brazilian Franchising) study group was created and registered at CNPQ (National Council for Scientific and Technological Development). The group included basically Ph.D. professors from several institutions: Pedro L. R. Melo from PUC; Tales Andreassi from EAESP-FGV; Moacyr Miranda Oliveira Jr. from FEA USP; ESPM professors Thelma Valeria Rocha, Felipe Mendes Borini, Eduardo Eugênio Spers, Daniela Khauaja, ESPM masters Adriana Camargo, Reynaldo D. Cunha, and ESPM master’s degree student Maitê Bezerra, all of them interested in this rapidly growing sector.

This report was developed by some of the members of the IBF Study Group, namely professors Thelma Valéria Rocha, Felipe Mendes Borini, Eduardo Eugênio Spers, Daniela Khauaja, master Adriana Camargo, with help for data collection during the ABF Trade Fair 2012 at Expo Center in São Paulo from PMDGI Master’s students: Cristiane Gatti, Kelly Pavan, Maitê Bezerra, Rafaela Cordeiro, Pedro Silva, and undergraduate student Vinícius Siqueira.

Rogério Feijó, Relationship Manager, and Marcos Funchal, Analyst, both from ABF, have also participated in this research.

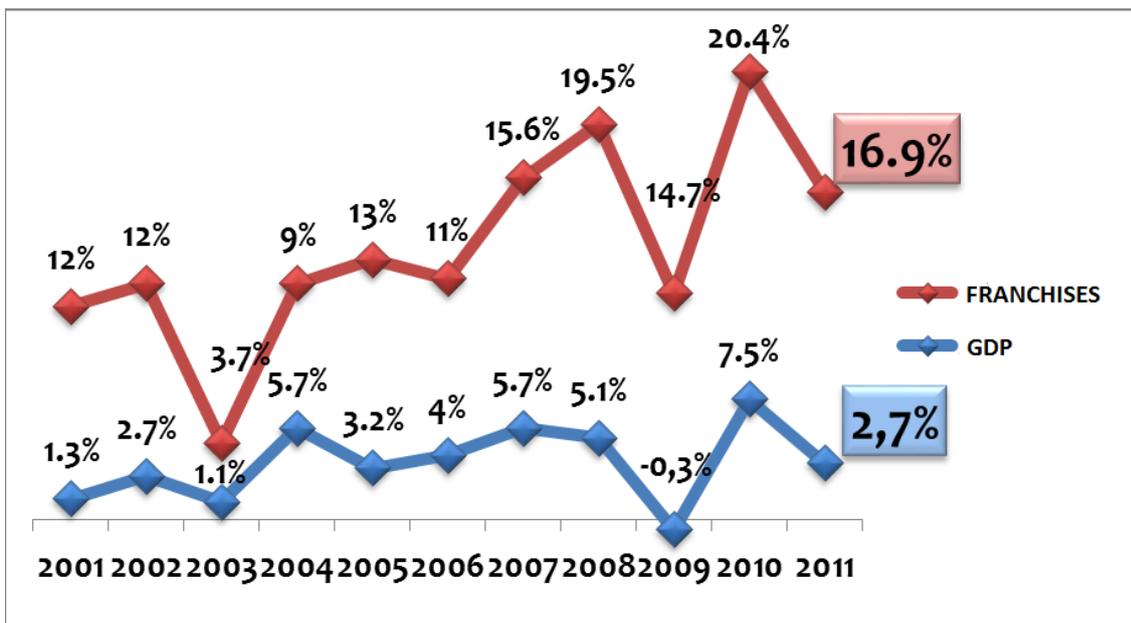
In addition to the introduction, this report is split into six items. The second item presents the strategic and marketing aspects related to internationalization, the third addresses the internationalization of Franchising through a more conceptual perspective, the fourth presents the results of the study on the strategic and marketing aspects of the internationalization of Brazilian Franchising, the fifth lists recommendations for Franchising that aim to internationalize and the sixth presents the closing remarks.

# 1. INTRODUCTION

The main objective of this study is to portray the strategic and marketing aspects experienced by Brazilian Franchising during their internationalization process.

The sample for this study was obtained from a total of 92 Franchising Companies (**Annex A**). In twelve Franchising companies in-depth interviews were conducted with managers involved in the internationalization processes using the guide for qualitative interviews available in **Appendix A**, and 50 questionnaires were answered by internationalized and non-internationalized Franchising during ABF Trade Fair 2012 (**Appendix B**).

From 2001 to 2011, the franchising sector grew always above the Gross Domestic Product (GDP). In 2011, for example, while GDP grew 2.7%, Franchising grew 16.9% (**Figure 1**).



**Figure 1.** Franchising sector growth compared with GDP growth  
**Sources:** ABF, IBGE (2012).

In sales, this represents R\$ 88,885 million. The largest Franchising in Brazil are included in **Table 1**.



RANKING	BRAND	SECTOR	TOTAL UNITS
1 <sup>st</sup>	O BOTICÁRIO	Cosmetics & Perfumery	3337
2 <sup>nd</sup>	COLCHÕES ORTOBOM	Furniture, Decoration & Gifts	1762
3 <sup>rd</sup>	KUMON	Education & Training	1565
4 <sup>th</sup>	MCDONALD'S	Food	1260
5 <sup>th</sup>	L'ACQUA DI FIORI	Cosmetics & Perfumery	1166
6 <sup>th</sup>	WIZARD IDIOMAS	Language School	1163
7 <sup>th</sup>	CACAU SHOW	Beverages, Coffees, Candies & Pastry	1149
8 <sup>th</sup>	AM PM MINI MARKET	Business, Services & Convenience	1118
9 <sup>th</sup>	ESCOLAS FISK	Language School	1002
10 <sup>th</sup>	SUBWAY	Food	902
11 <sup>th</sup>	HOKEN	Beauty, Health & Natural Products	896
12 <sup>th</sup>	ÁGUA DE CHEIRO	Cosmetics & Perfumery	894
13 <sup>th</sup>	BOB'S	Food	832
14 <sup>th</sup>	JET OIL	Automotive Services	802
15 <sup>th</sup>	BR MANIA	Business, Services & Convenience	776
16 <sup>th</sup>	CCAA	Language School	756
17 <sup>th</sup>	CNA	Language School	701
18 <sup>th</sup>	MICROLINS	Education & Training	552
19 <sup>th</sup>	DOUTOR RESOLVE	Construction & Real Estate	521
20 <sup>th</sup>	ÓTICAS DINIZ	Beauty, Health & Natural Products	516

**Table 1.** Ranking of Brazilian Franchising in units

**Source:** ABF (2012)

In number of Franchising, Brazil ranks 6<sup>th</sup> in the world, with 93,098 units (**Table 2**). This represents an increase of 80% in number of units in the last decade, which corresponds to nearly 838,000 direct jobs.

In number of brands, Brazil ranks 4<sup>th</sup> in the world, with 2,031 franchising brands (**Table 3**).

No.	COUNTRY	TOTAL UNITS
1 <sup>st</sup>	United States	825,000
2 <sup>nd</sup>	South Korea	260,000
3 <sup>rd</sup>	Japan	235,686
4 <sup>th</sup>	China	215,000
5 <sup>th</sup>	India	120,000
6 <sup>th</sup>	Brazil	93,098
7 <sup>th</sup>	Canada	78,000
8 <sup>th</sup>	Australia	71,400
9 <sup>th</sup>	Mexico	70,000
10 <sup>th</sup>	Italy	53,313

**Table 2.** Position of Brazil in units worldwide

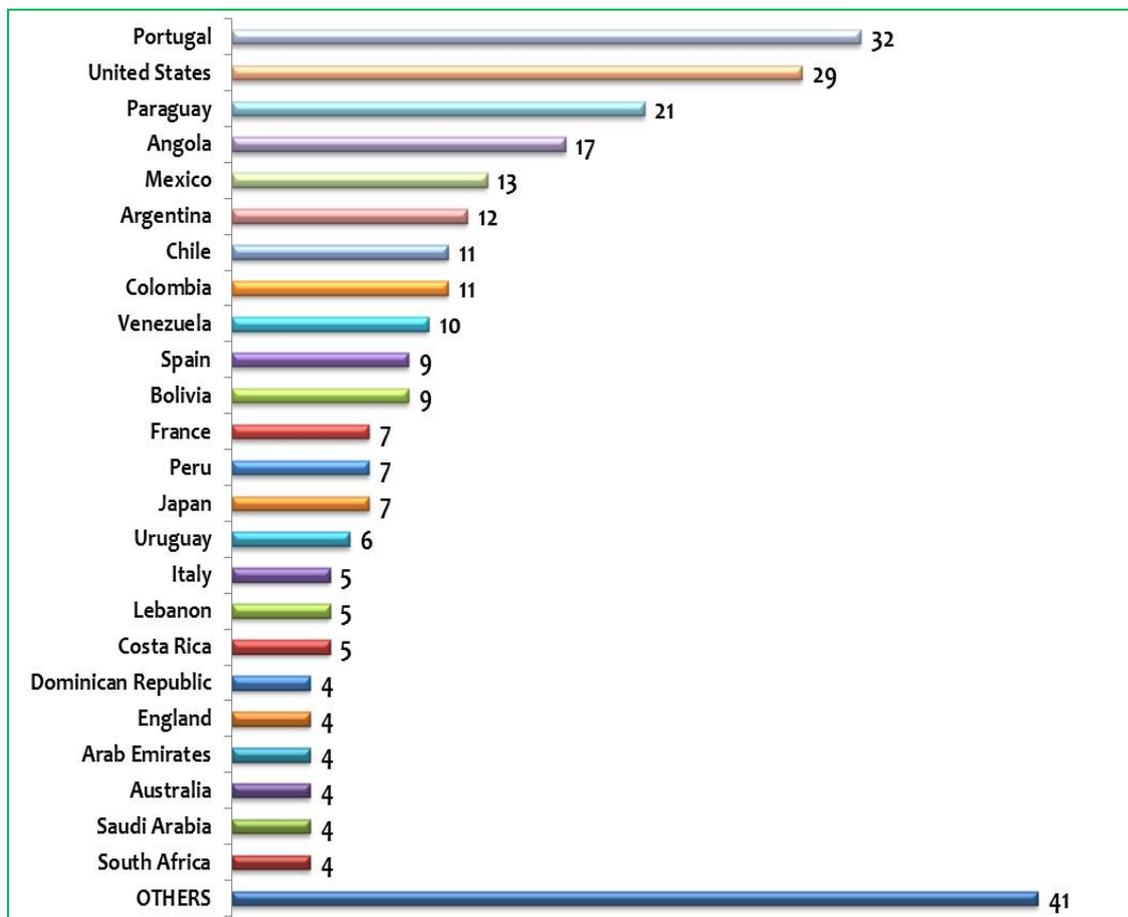
**Sources:** WTC and ABF (2012)

No.	COUNTRY	TOTAL BRANDS
1 <sup>st</sup>	South Korea	2,400
2 <sup>nd</sup>	United States	2,300
3 <sup>rd</sup>	China	2,200
4 <sup>th</sup>	Brazil	2,031
5 <sup>th</sup>	India	1,500
6 <sup>th</sup>	France	1,477
7 <sup>th</sup>	Turkey	1,450
8 <sup>th</sup>	Japan	1,246
9 <sup>th</sup>	Canada	1,200
10 <sup>th</sup>	Australia	1,051

**Table 3.** Position of Brazil in brands worldwide

**Sources:** WTC and ABF (2012)

As regards the main destination countries, Portugal and the United States stand out with 32 and 29 Brazilian franchising brands respectively. A second group includes Paraguay and Angola with 21 and 17 franchising brands each. **Figure 2** highlights other destinations of Brazilian Franchising.



**Figure 2.** Main destinations of Brazilian franchising brands internationalized  
**Source:** ABF (2012).

**Figure 2** shows that Portuguese-speaking countries, such as Portugal and Angola, prefer Brazilian franchising brands, as well as countries with greater cultural and geographical closeness, such as the United States, Argentina and Paraguay.



## 2. INTERNATIONALIZATION OF BRAZILIAN FRANCHISING

It is possible to establish a relation between some characteristics of Brazilian Franchising and their attitude towards internationalization, such as: number of states in which they operate in Brazil, experience (operating time) in franchising system, and total number of stores in Brazil (MARQUES, 2006).

These factors are quite relevant for classifying companies regarding to whether: they are internationalized; they intend to expand abroad; or they operate only in Brazil and have no intention to internationalize. These characteristics feature the manageability and monitoring skills of the networks, the power of their brands and resources accumulated that facilitate their entry into foreign markets.

Furthermore, although network monitoring and fund raising are required for an efficient operation in the local market, foreign market entry goes beyond that for it raises the bar as to the level of requirements and challenges, since operating in the global market demands interacting with a greater and more complex environment (MARQUES, 2006).

The internationalization of Franchising can bring many benefits to the business. However, it is a very hard way to go because, in addition to the difficulties of international management, it also requires adjustment to a completely different reality.

Hoffman and Preble (2004) state that the main problems faced by Franchising in different countries lies in familiarizing with habits, culture and local ways of doing business (code of ethics, laws, regulations, concept of honesty and trust).

Some authors still bring up restrictions to personnel mobility, limitations on technology transfer, national policies restricting foreign capital and cultural differences as barriers to the internationalization of Franchising.

Thus, there is a consensus among many theories regarding the difficulty to acquire the necessary knowledge on how to manage and operate this type of business in a foreign market, and also to find "the right person", i.e. good and reliable franchisees (MARQUES, 2006).

Sector	Brand	No. Countries
Personal Accessories & Footwear	VIA UNO	25
Communication, Computer & Electronics	TOTVS	17
Personal Accessories & Footwear	CARMEN STEFFENS	13
Language School	CCAA	11
Personal Accessories & Footwear	DUMOND	10
Beverages, Coffees, Candies & Pastry	FABRICA DI CHOCOLATE	9
Beverages, Coffees, Candies & Pastry	SHOWCOLATE	9
Language School	WIZARD IDIOMAS	8
Automotive Services	LOCALIZA RENT A CAR	8
Clothing	COLCCI	8
Cosmetics & Perfumeries	O BOTICÁRIO	6
Language School	ESCOLAS FISK	6
Clothing	CANTÃO	6
Personal Accessories & Footwear	MAZ BRASIL	5
Cosmetics & Perfumeries	TRUSS COSMETICS	5

**Table 4.** The 15 most internationalized companies.

Countries
South Africa, Argentina, Australia, Canada, Chile, Colombia, Costa Rica, Cuba, Egypt, Arab Emirates, Spain, Philippines, France, Guadalupe, Italy, Jordan, Lebanon, Mexico, Panama, Paraguay, Peru, Portugal, Dominican Republic, Czech Republic, Venezuela
Argentina, Mexico, Chile, Paraguay, Porto Rico, Portugal, Uruguay, Bolivia, Peru, Colombia, Italy, Ecuador, Venezuela, Guatemala, Costa Rica, US, Angola, Canada, Mozambique
South Africa, Angola, Argentina, Australia, Bolivia, Canada, Spain, United States, France, Mozambique, Paraguay, Portugal, Uruguay
Argentina, Australia, Chile, El Salvador, Spain, United States, England, Italy, Japan, Mexico, Portugal
South Africa, Angola, Saudi Arabia, Canada, Costa Rica, Arab Emirates, Philippines, Lebanon, Oman, Paraguay
Australia, Costa Rica, Spain, England, Japan, Mexico, Portugal, Dominican Republic, Venezuela
Lebanon, Oman, Chile, Mexico, Peru, Panama, Guatemala, Portugal, Venezuela
China, Colombia, United States, Guatemala, England, Ireland, Japan, Paraguay
Argentina, Bolivia, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay
Guatemala, Saudi Arabia, Portugal, Spain, Japan, United States, Reunion Island, Malta
Angola, Saudi Arabia, United States, Paraguay, Portugal, Venezuela
Angola, Argentina, Bolivia, United States, Japan, Paraguay
Germany, Colombia, Arab Emirates, United States, France, Italy
Spain, United States, Israel, Lebanon, Portugal
Angola, Ecuador, United States, Japan, Venezuela

Source: ABF (2012)

Khauaja (2010) emphasizes Brazilian companies need a "mental model" directed towards internationalization, as well as a more bold and proactive approach. Another aspect highlighted is brand valuation. The internationalization was the way to increase brand value in the market. Regarding the external environment, the support from promotion agencies was highlighted.

Finally, Rocha, Borini and Spers (2010), in volume 1 of this study showed there are three major factors that contribute to the internationalization of Franchising: international experience of the entrepreneur, business networking in the foreign market, and the need for a differentiated product that can be recognized abroad.

According to the **Brazilian Transnational Ranking**, the improvement of Brazil image abroad and the consolidation of Brazil brand are the main benefits of the internationalization process (Fundação Dom Cabral, 2011).



Rocha, Borini and Spers (2010) show that Brazilian Franchising have tried to internationalize since mid-2000s. Overseas operations are still small, but they pose a good challenge for managers in terms of profitability and growth.

The results of the 2010 study indicated seven major challenges to be faced by those who want to internationalize: to achieve product or service differentiation; to identify untapped markets; to obtain experience and choice of the franchisee; to develop a internationalization-specific strategic plan; to deploy and sustain a business model abroad; to develop intercultural mindset; and to meet consumer needs in the chosen countries.

In 2010, in Volume 1 of this study, the base of internationalized Franchising registered with ABF totaled 65 companies, with 25% of them operating in 5 or more countries, 32% in 2-4 countries, and 43% in 1 foreign country.

In 2012, results confirm there are 92 Brazilian franchising internationalized, which distribution per sector is provided in **Annex A**.

Observing these Franchising as to the number of countries in which they operate, it can be noted that: 16% operate in 5 or more countries, 29% operate in 2-4 countries, and 54% operate in 1 country abroad. These data indicate the potential for growth in overseas operations.

**Table 4** presents the list of the 15 most internationalized Franchising distributed by sector and the countries where they operate. The Personal Accessories and Footwear sectors are leading internationalization, followed by Language Schools.

Although the number of countries in which the franchising operates is an important variable, one should also take into account the number of units abroad, as, for example, a graphics solutions company that ranked 2<sup>nd</sup> in the Fundação Dom Cabral 2011 list will not appear in Table 4 because it is present only in 3 countries, and not in 5 or more.

Annex A shows the 92 Franchising internationalized, destination countries, number of self-owned units and number of Franchising per country.

In this study, these companies are not analyzed separately. Many of them were interviewed and marketing and strategic aspects of their operations abroad are described in item 4.



### 3. WHAT ARE THE STRATEGIC AND MARKETING ASPECTS?

The strategic and marketing aspects covered in this study are related to decisions made by companies at the time of their internationalization.

The marketing decisions, i.e., related to the markets in which the companies plan to operate, involve decisions regarding brand, market segmentation, positioning and marketing mix (product, price, place and promotion).

The international marketing environment consists of activities related to the international information system, the segmentation of these markets, the product and brand positioning and to decisions about product, pricing, distribution, communication and marketing organization, all of them systematized in the marketing planning and control.

In international marketing, market segmentation is especially important as it aims to break down the market into different groups of consumers that give the same response to marketing mix and positioning. This enables the company to decide whether to offer standardized products or develop a marketing mix for each segment, thus meeting the needs of the targets.

Decisions regarding the brand are also fundamental. In order to grow and get more positive results, many companies decide to compete in the international market, turning local brands into global brands or creating new global brands. According to Nigel Hollis, vice president of Millward Brown, the global brand transcends its geographical and cultural origins to develop strong relationships with consumers in different countries and from different cultures (MILLWARD BROWN, 2012).

According to Jean-Noël Kapferer, brands have three elements that can be globalized: "multi signs" (name, graphic identity or symbol), product (good or service) and positioning (promise of quality). And there are various combinations of globalization among these three elements, such as:

- a) brand name - Procter & Gamble products Tide, Clairol and Whisper in North America are Ariel, Always and Wella in Europe;
- b) positioning - Ford Fiesta is a small car in Germany, but it is a family car in Portugal;



- c) product - there may be multiple product versions sold under the same brand name: for example, there are more than ten different types of coffee sold under the name Nescafé in Northern Europe alone.

Choosing the strategy to communicate a brand globally is one of the most significant challenges faced by organizations. Marketing integrated communication includes several tools: personal selling, advertising, clearance, sponsorship, advertising and point of sale communication. Marketing managers must choose, among these tools, those that can best help them achieve marketing goals, since each of these tools plays a specific role, either globally or locally.

The person in charge of brand communication worldwide must decide whether to expand, adapt or create campaign messages and executions in each market where the brand is sold. This decision should be made taking into account the economic, social and cultural needs of each market, as well as product life cycle and company goals.

Currently, there are three clear trends in global communication:

1. **GLOBALIZATION:** searches for similarities among consumers worldwide in order to develop a standardized communication;
2. **LOCATION:** in case of adjustments, the differences between countries, such as culture, economic development, product life cycle, legal restrictions etc., have to be taken into account;
3. **CONTINGENCY:** combination of the two previous approaches, after a thorough analysis of the factors that can affect communication efficiency.

Communication is possibly the marketing mix element that is most sensitive to a radical standardization. The most common solution has been the combination of possible degree of standardization and the adjustment needed in each country.

In addition to product and communication decisions, in an increasingly competitive global market environment, the company's ability to manage relationships with foreign distributors or partners becomes a key success criterion in internationalization processes. There are huge challenges to ensure that partners



deliver what was agreed upon, either implicitly or by contract, and reduce opportunistic behavior.

Some authors argue that managers of internationalized businesses can improve their market position by fostering relationships with local distributors based on trust.

Regarding pricing strategy, which is considered as complex and often subjective in domestic businesses, it is much more difficult to establish it in international businesses due to multiple currencies, trade barriers, additional remarks on cost and long distribution channels.

Some factors affecting global prices include:

- a. nature of product or sector: with a specialized product or a new technology, the company has price flexibility;
- b. location of production: many companies export through facilities in their countries due to not having enough volume. Companies that produce outside their countries, with greater economies of scale, have greater pricing flexibility;
- c. distribution system: when the company is able to distribute its products through its subsidiaries worldwide, it achieves good control over the final price, including the ability to adjust prices quickly, first hand, upon change in market conditions;
- d. climate conditions in foreign market: price is affected by factors that are not always perceived as related to price. Climate conditions in foreign markets, for example, may include changes in distribution, product cost and additional fees to cover these costs;
- e. foreign currency: economic factors such as inflation, exchange rate changes and price controls can hinder market entry. These factors, especially the U.S. dollar value in foreign markets, are the primary concern of most companies.

Regarding marketing organization, Bartlett and Ghoshal (2003) suggested a management structure model that balances the demands of local, regional and global companies operating worldwide. According to the authors, to be successful, companies need highly specialized and interrelated groups of managers in the global, regional and local levels, in addition to functional managers.



Building a company capable of using learning to create innovations requires the ability to transfer expertise while connecting scarce resources and capabilities between the countries.

The decisions related to strategic behavior of Franchising were analyzed in this study from the perspective of Miles et al (1978) model. Thus, this behavior can be:

- 1) PROSPECTIVE STRATEGY:** the primary characteristic of this strategy is the search for innovation, either product, process or market innovation. Major features of this strategy include:
  - high relevance for being the first to offer new products, even if the effort is not profitable;
  - constant expansion of product and service lines;
  - search for new markets for its product and service lines.
- 2) DEFENSIVE OR FOCUSED STRATEGY:** strong emphasis on efficiency and a very limited scope of products and markets. Major features of this strategy include:
  - relative stability of product and service lines;
  - focus on the restricted scope of products and services;
  - not pursuing leadership, but focusing on excellence. Thus, it protects itself from competitors by offering products and services that excel in quality/cost.
- 3) ANALYTIC STRATEGY:** hybrid strategy between prospective and defensive. Thus, its major feature is that while trying to protect its position in the market with a relatively solid line of products and services, it regularly adds one or two products or services that have been successful in other companies of the same sector.

It is impossible to classify a franchising only as prospective, defensive or analytic. Throughout its course of operations a company is sometimes prospective, sometimes analytic and sometimes defensive.

This was already expected since a healthy strategic behavior requires the company to act according to the situation. However, a strategic behavior generally prevails over the others.



Therefore, this study seeks to understand - as regards internationalized Franchising - which strategic behavior prevails and how it matches the other strategies.



#### 4. RESULTS OF THE STRATEGIC AND MARKET ASPECTS

This section presents the results of field research. Two approaches were used: quantitative and qualitative, with the triangulation of results presented on the “recommendations” and also on the "closing remarks”.

The qualitative research was conducted using in-depth interviews in which 12 franchising managers in charge of the internationalization processes were appointed by ABF to be interviewed from June-July 2012.

After consulting several publications on internationalization and Franchising, the qualitative interview guide (**Appendix A**) was organized in five parts, namely:

- Part A** - Characterization of companies and interviewees. These data were supplemented during the analysis process with:
- Part B** - The internationalization process
- Part C** - International marketing
- Part D** - Results of the operation abroad
- Part E** - Recommendations for those who want to internationalize

In the quantitative research, the survey method was used and a questionnaire was developed. This questionnaire was answered by 50 managers of internationalized and non-internationalized Franchising in order to compare the strategic behavior of both groups.

Data collection included the completion of questionnaires that were forwarded to franchising managers. In this case, 50 questionnaires were completed during the ABF Trade Fair in June 2012.

A population of 92 companies listed on ABF mailing received the questionnaires, which were completed by 14 companies and then validated, accounting for a sample of 15% of all Franchising addressed by the different methods described above.

The scale used to evaluate the strategic behavior of internationalized Franchising vs. non-internationalized Franchising was Likert with 5 points.

Confidentiality as to the identity of the Franchising and of respective respondents was assured throughout the process so data will be presented altogether and respective respondents will be named only as "respondents" in this report.



### 4.1.1 The internationalization process

- **Structure for internationalization:** both statements - that we first need to develop the internationalization strategy and then create a structure or first create a structure and then develop an internationalization strategy - appear. The internationalization structure in Franchising is not specific but shared with other organizational functions.
- **International view:** The existence of human resources in the franchise with specific skills such as foreign language knowledge or direct descent from a foreign country facilitates the internationalization process. A Franchising manager with a global view also helps.
- **Image:** internationalization is seen as something very positive and a sign of maturity for the Franchising system. Something that, someday, should be part of the business.
- **Start:** the interviews conducted indicate three distinct periods of international market entry: early 1990s, between 2005 and 2007 and, most recently, between 2011 and 2012.
- **Destination:** one of the favorite destinations is the United States for being a competitive and open country. Other preferred destinations are countries very close to Brazil from a cultural perspective, such as Portugal. The destination changes in case of a passive process, when the company is sought by an international investor.
- **Planned vs. Unplanned:** most internationalization processes are not planned. They are driven by market opportunities and mainly by the presence of a partner or investor abroad. When planned, time ranges from 2 to 5 years.
- **Short term vs. long term:** internationalization is still not a short term priority. The ones that are already internationalized wish to keep it, and the ones that are no longer internationalized or had a negative experience wish to pull back and better plan their entry into foreign markets.
- **Benefits:** benefits include market expansion, information exchange and the possibility to learn from other cultures and markets. Innovation is not mentioned spontaneously, but when asked directly respondents stated it is relevant.



- **Challenges:** the main challenges include compliance to local legislation and financial and personnel investments necessary to structure the Franchising abroad. Regarding food sector there is a particular concern as to the development of local suppliers. Issues related to local legislation and import and export process were also mentioned.

#### 4.1.2 Marketing aspects

- **Brand use:** there is a tendency for brand standardization since only one company has changed brand name abroad due to offering a little different service proposal.
- **Knowledge of foreign markets:** some companies still go international without conducting market research prior to operating abroad, but others do, which facilitates the understanding of local needs and the definition of target.
- **Positioning:** there is also a tendency for standardizing positioning, since only one brand has changed its positioning for believing Brazilian women's needs are different from Spanish women's needs, that while Brazilians focus on aesthetics, Spanish are more concerned with practical aspects.
- **Goods and services:** all companies, except for two, have adapted their goods and services to operate abroad.
- **Communication:** companies use different strategies. Three companies try to keep the same communication strategy in Brazil and abroad. While one admits counting on an agency abroad to adapt communication, the other already develops standardized communication with international focus, which is certainly more efficient in terms of economy of scale. The remaining respondents believe they do some kind of adaptation, either because target is different because of the different positioning, or even because they use different celebrities in communication campaigns. There are also companies that use different communication media; while in Brazil they use open media, they choose more targeted media abroad and seize local consumption habits, such as the preference for discount coupons in the United States.
- **Relationship with the franchisee:** all respondents believe they offer the franchisee some marketing support abroad. Some declare all marketing



support is managed by their office in Brazil, but others have an office abroad or hire an agency abroad to handle local demands. Respondents also mentioned websites developed in English, brochures and actions on Google to support franchisees in foreign markets. Performing periodic visits is also considered a form of support, as well as assigning directors and training teams for the international area.

One respondent, whose company already operates in over 100 countries, has detailed a bit more the type of support offered to franchisees abroad: "in addition to the umbrella brand, the franchisee can also count on campaigns, trade fairs, disseminations, and development of specific actions related to the brand. Franchisees also receive support in activities such as team training, choosing and negotiating place of business, purchasing and inventory management, always accompanied by a field expert".

There is a clear willingness to provide technical support and training to the franchisee abroad.

- **Price:** all have adjusted their prices and believe price policy abroad can be competitive, except for two companies.
- **Boldness:** there was a clear split in the sample when respondents were asked whether they believe their companies are bold in their actions abroad.
- **Coordination of marketing actions:** is centralized in Brazil in all companies, except for two, which have local representatives.
- **Measuring marketing actions results:** franchisors use invoicing data and/or sales volume data, as well as other indicators such as deadlines, impact and scope of communication. Moreover, there are those who make special deals with coupon distribution, which allows identifying the vehicles with higher return.

#### 4.2.1 Results of the strategic aspects

The main objective of this part of the survey is to verify whether the strategic behavior of internationalized Brazilian Franchising is different from the strategic behavior of non-internationalized Franchising.



If there is a different behavior, a second objective is proposed, which is to guide the necessary changes in the strategic behavior of Brazilian Franchising that intend to go international.

In June-July 2012, we conducted a survey with those responsible for national and international Franchising affiliated with ABF. The respondent was the brand franchisor or someone from the management team duly assigned by the franchisor to complete the questionnaire.

The questions were composed of closed questions on a 1-5 scale, ranging from “strongly disagree” to “strongly agree”. Moreover, some yes/no questions were included to help build the sample profile.

We obtained the answers from 50 Franchising, 74% of which were non-internationalized and 26% were Brazilian Franchising internationalized.

#### 4.2.2 Analysis of the strategic behavior

The strategic behavior of Franchising over a prospector, focused and analytic strategy is shown in **Table 5**. There are three clusters. Noteworthy, the primary feature of the prospector strategy is the continuous search for innovation, either product, market or service innovation. The focused or defensive strategy focuses on efficiency and on a very limited scope of products and markets. The analytic strategy is a hybrid strategy between prospective and defensive.

The largest segment is group 1 with 25 companies, accounting for 59% of the non-internationalized Franchising included in the sample. Therefore, segment 1 is what best expresses the strategic behavior of exclusively national Franchising.

Segment 2 includes 10 companies and reports the same percentage of internationalized Franchising as segment 1, but only 19% of non-internationalized Franchising. Finally, segment 3 concentrates the majority (54%) of the internationalized Franchising.

The numbers displayed in columns 1, 2 and 3 of each segment is the mean obtained by the companies belonging to that specific segment over the corresponding strategy. The difference between these means is significant in some cases (**see Appendix C**) allowing to group strategies by segment.

Segment 1 stands out for adopting predominantly a prospector strategy. Segment 3 adopts mainly the focused strategy because although the number of

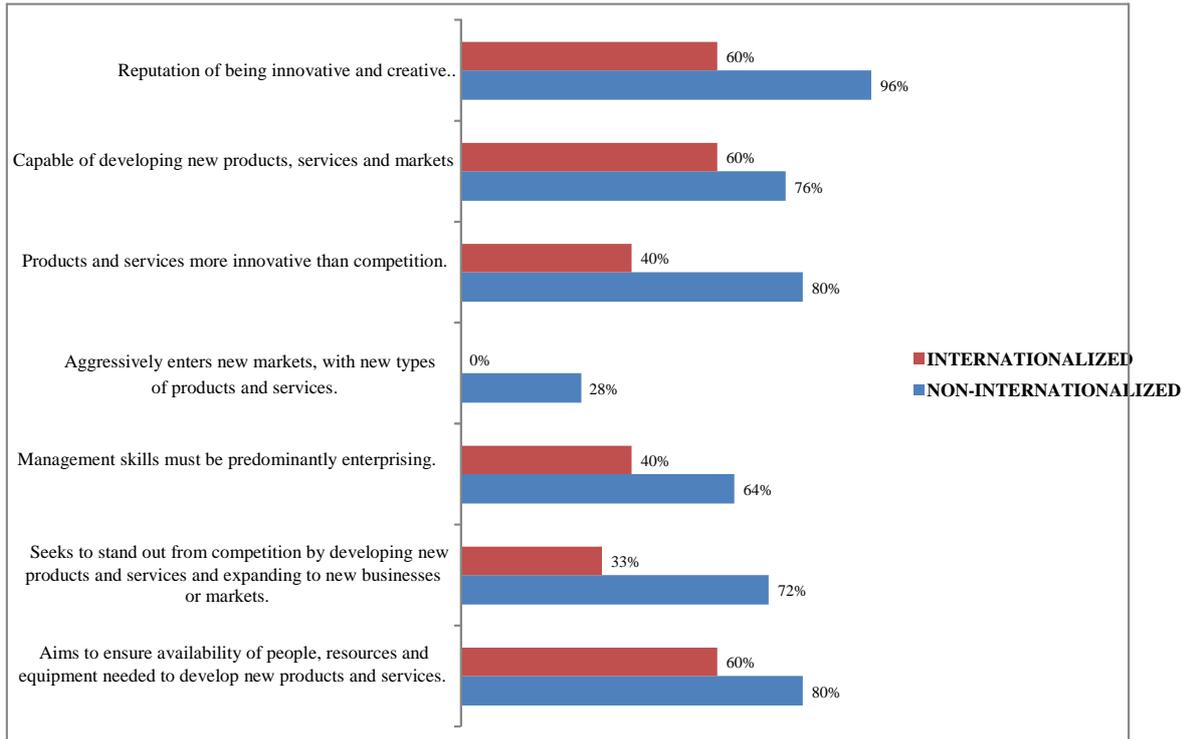
analytic is bigger than the focused, it does not have a significant difference compared to segment 1. Thus we cannot say segment 3 is more analytic than segment 1. It only differs significantly from the other segments as regards the focused aspect.

Moreover, it can be noticed that segments 1 and 3 adopt the analytic strategy with the same intensity. Finally, segment 2 does not have a clear strategic standard. It was the group that showed the lowest mean, which indicates the companies belonging to this group are pursuing a strategic pattern, either in the domestic market or in the international market.

Thus, results show the strategic behavior of non-internationalized Franchising is prospector, while the strategic behavior of internationalized Franchising is focused. The analytic strategy is a support behavior for both groups.

FINAL SEGMENTS			
	Segment 1	Segment 2	Segment 3
<b>Prospector</b>	4,62	3,26	3,98
<b>Analytic</b>	4,14	3,25	4,20
<b>Focused</b>	3,52	3,44	4,06
<b>Internationalized?</b>			
<b>No</b>	59%	19%	22%
<b>Yes</b>	23%	23%	54%
<b>Total Companies</b>	<b>25</b>	<b>10</b>	<b>15</b>

**Table 5.** Strategic behavior of Franchising  
**Source:** Authors (2012).

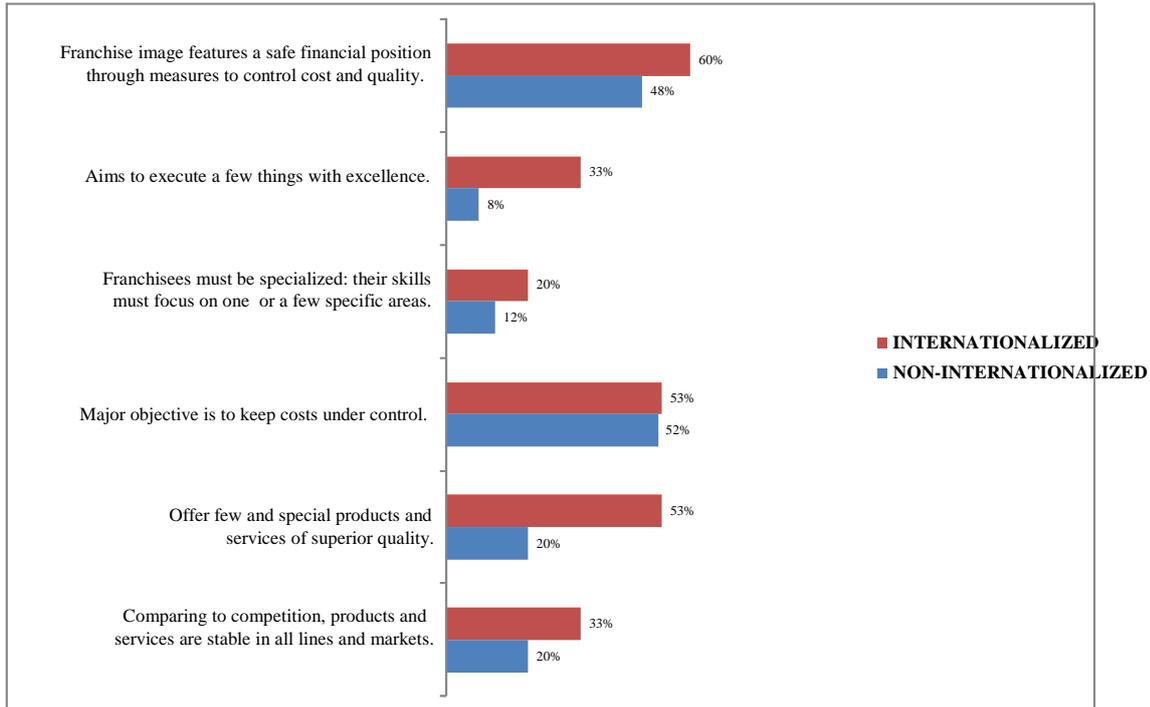


**Figure 3:** Prospector strategic behavior: non-internationalized vs. internationalized

**Source:** Authors (2012).

**Figure 3** shows how the prospector strategic behavior stands out in the non-internationalized Franchising. The percentages in the bars indicate to what extent the companies interviewed adopt the strategic behavior described.

Thus, Franchising belonging to segment 1, group predominantly populated by non-internationalized Franchising, feature more aggressive behavior at market entry, in addition to product and service innovation. Their management team focuses on entrepreneurship and on positioning themselves in the market as innovative companies.



**Figure 4:** Focused strategic behavior: non-internationalized vs. internationalized

**Source:** Authors (2012).

On the other hand, **Figure 4** shows how the defensive strategic behavior prevails in Franchising of segment 2, predominantly formed by Brazilian Franchising internationalized. The percentages in the bars indicate to what extent the companies interviewed adopt the strategic behavior described.

Therefore, the Franchising have a clear scope of work in their search to offer excellence in product/service. Thus, the focus on cost and quality prevails as the centerpiece of the administration of the internationalized Franchising, as will be presented in the “managerial implications”.



## 5. MANAGERIAL IMPLICATIONS FOR THE INTERNATIONALIZATION OF BRAZILIAN FRANCHISING

### **1<sup>st</sup> recommendation: adopt a focused strategic behavior to operate abroad.**

The focused behavior requires a clearly defined scope of work from the Franchising to operate abroad. For example, choose a country and grow the number of units in this country to gain in scale.

Besides this approach, the Franchising has to bear in mind that it can only win beyond national borders in case it is able to offer a superior product/service, both in terms of quality and cost. This requires a strong product/service differentiation, which confirms the results of Rocha, Borini, Spers (2010), volume 1 of this study, in which 100% of Brazilian Franchising internationalized stated that the key to success in international markets lies in offering a differentiated product/service.

### **2<sup>nd</sup> recommendation: reconcile different strategic behaviors through different organizational structures.**

Since in the domestic market Franchising companies often adopt an openly behavior, all their organizational structure as well as management profile feature a more entrepreneurial strategic behavior. In general, most innovations are trial-and-error based, decisions are made at higher risk level and there is greater aggressiveness to explore new markets within the country. The pace of growth tends to be accelerated.

International markets, in turn, have to be chosen very carefully. The portfolio of products/services must be restricted and based on the maximum differentiation against international competitors. The relationship with franchisees abroad has to be stronger. Therefore, a very restricted operation coupled with support and close monitoring require a different organizational structure if compared with national structure.

Thus, the recommendation for Franchising companies that decide to internationalize is to create a special organizational structure. This implies a separate business unit with a separate cost center. It also requires the hiring or assignment of a



full time director responsible for national operations and, consequently, a support team for this new business unit. Moreover, it is fundamental the Franchising company understands that the performance of national and international activities cannot be compared directly.

### **3<sup>rd</sup> recommendation: review business model to operate abroad.**

Since structure and strategy are different, the international operation requires a business model review. This includes reviewing administration criteria for the various stakeholders.

Regarding partners, it is necessary to review vendor qualification and franchisees selection process.

Regarding customers, it is necessary to review customer segmentation, customer relationship, marketing positioning and marketing mix management. Furthermore, it is important to think over the existing rules and check whether they may be applied to both point of sale and market abroad.

Recruiting and training policy should not only comply with local legislation, but also take into account the culture of each country where the Franchising company operates. This will require different levels of incentives and rewards, which will increase Franchising company management complexity.

Finally, the Franchising company needs to adapt to the institutional apparatus of each country, especially in relation to agreements signed with different stakeholders and before the legal requirements of each country.

### **4<sup>th</sup> recommendation: set one single global brand identity and adapt marketing mix.**

Given the easy access to information worldwide, brands must have a unique global identity for the purpose of consistency. This identity must be fully aligned with the vision, mission and values of the organization.

However, it is important to bear in mind that adjustments in brand elements and marketing mix are often necessary to tailor the offers to local needs. Thus, even if the brand is the same around the world, it may be necessary to adapt some brand elements, such as name and slogan, in addition to product characteristics, pricing,



distribution channels and communication -both message and communication channels.

**5<sup>th</sup> recommendation: invest in understanding the foreign market.**

Although Franchising companies usually internationalize through local partners, it is important to invest in understanding each market to better determine marketing strategies and increase success rate in the internationalization processes.

Market knowledge includes the macroeconomic aspects, such as political and economic issues, demographic trends, cultural characteristics, technological advancement; definition of strategic groups, i.e. leading competitors; knowledge of the target market; and demand measurement.

**6<sup>th</sup> recommendation: coordinate and measure the results of marketing actions.**

Although the Franchising companies' internationalization process has been usually triggered by a third party, it is important to invest in human resources to coordinate marketing activities in the markets where it plans to invest.

Moreover, it is extremely important to develop a marketing plan with clear and measurable goals and objectives. Therefore, decision making is supported by facts and it is easier to make adjustments where necessary. This learning may be used in other markets in the future.

**7<sup>th</sup> recommendation: seize current opportunity.**

Current crisis scenario enables to acquire assets abroad at low cost and make partnerships with future high potential companies. Brazilian positive economic environment and the upcoming international events to be held in Brazil, such as the World Cup and the Olympics, fired the interest of international companies in the domestic market, which fosters good businesses opportunities.

**8<sup>th</sup> recommendation: view internationalization beyond sales.**



For Franchising companies already internationalized the experience of operating abroad goes beyond sales growth. It means handling and learning from cultural and business differences, incorporating experiences and innovations from abroad into the national model, acquiring the status and positive image of being an internationalized Franchising companies, besides sharing risks and seizing new and more opportunities.



## 6. CLOSING REMARKS

This research portrayed the marketing and strategic aspects experienced by Brazilian Franchising companies during their internationalization process.

Although the Brazilian Franchising sector has great significance for the country's economy, its internationalization process is recent and, according to Rocha, Borini and Spers (2010), Franchising companies' operations abroad are still small, but represent a good challenge to managers as regards profitability and growth.

Comparing 2012 with 2010 results, there was 41% growth - from 65 Franchising companies internationalized in 2010 to 92 Franchising companies internationalized in 2012.

Considering the distribution by number of countries, there was an increase in the number of Franchising companies operating in 1 country, from 28 companies in 2010 to 50 companies in 2012; an increase in the number of Franchising companies operating in 2-4 countries, from 21 to 27 companies; and a reduction from 16 to 15 companies operating in 5 or more countries in 2012.

Overall, these companies operating in 5 or more countries began their internationalization processes in the 90s, and are still expanding overseas.

As this market growth has been strong and consistent, new studies have been conducted in recent years in order to better understand the specifics of the internationalization of this sector.

It is recommended that Franchising companies, before starting their internationalization process, deeply understand the market, the local economy, and the consumer habits of the host country. According to respondents "It is necessary to experience the new market. Go there, stay there for a month, experience the local culture and products."

It is also advisable to identify the value proposition of the Franchising, what is really significant for local consumers, and check whether the product or service meets this demand.



The internationalization process can also be marked out by the pursuit of a higher degree of standardization of product, price, promotion and channel structure, reflecting in the strategic planning to what extent the company can standardize its marketing mix without impacting the success of the internationalization process.

By marking out the company's actions as regards standardization of product, promotion, price and channel structure, the Franchising company will be able to organize and develop its strategic planning. The objective of this planning is to provide the company with competitive advantages that it will likely not have should it execute its corporate actions at random, relying only on a gradual increase of its experience abroad.

The cultural and social differences between countries are huge, which may hinder the deployment and standardization of processes. But there is an advantage for the Brazilian franchisor: tax, labor and contractual issues and are much simpler and clearer in host countries, even in Latina American countries, compared with Brazil.

It is also worth mentioning that, in the internationalization process, according to Bradley and Gannon (2000), six procedures are critical when choosing the country: set strategic and marketing goals; prioritize these goals; draw up a list of possible entry models; assess the viability of each entry model; estimate costs of each entry model; and, finally, re-assess the goals and alternatives.

The standardization of products is also another recommendation: the more product standardization, the more gains in scale and scope, synergy across the network and expansion of new product lines. The standardization of channel structure shows to what extent the company is concerned about formatting distribution structures, as these structures will facilitate the delivery of products in the franchised units more regularly, constantly and promptly, since at any moment, this single standardized process may be evaluated in order to improve the whole network.



This channel structure standardization may influence the international franchisee satisfaction regarding the business.

Finally, it is also recommended that, upon the first franchised units abroad, the franchisor develops a global planning, investing in structure and in the organization growth.



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## APPENDIX A. INTERVIEW GUIDE

1. Name of the Company: \_\_\_\_\_
2. Brand: \_\_\_\_\_
3. Sector: \_\_\_\_\_
4. Respondent: \_\_\_\_\_
5. Title: \_\_\_\_\_
6. Year of start-up: \_\_\_\_\_
7. Number of employees in Brazil: \_\_\_\_\_
8. Number of employees Abroad: \_\_\_\_\_
9. Year of Internationalization: \_\_\_\_\_

### Part A - Internationalization Process

1. Describe the internationalization process of your Franchising.
2. I will read the sentences and you check the reason that led your company to internationalize.

Reasons for the company to start operating abroad.

- ( ) There was intent to internationalize after the exhaustion of the internal market.
  - ( ) There was intent to internationalize since the company was founded.
  - ( ) There was a request coming from overseas client.
  - ( ) We followed the steps of similar companies.
  - ( ) International competitors arrived in Brazil and we felt the need to operate abroad.
  - ( ) We followed a client in Brazil that began operating in foreign markets.
  - ( ) Others.
3. What were the countries chosen? Why?
  4. Which of these items explains how you company went abroad:
    - ( ) Proactive – Planned at the start of the Franchising.
    - ( ) Opportunist – Third parties wanted our Franchising and we agreed.
    - ( ) Analytical – We evaluated the market and the saw the opportunity.
    - ( ) Others. Explain: \_\_\_\_\_
  5. What was the entry model?
    - ( ) Franchising ( ) Export ( ) Self-owned store ( ) Sales office
  6. Rate from 1 to 5, with 5 being “strongly agree”, and 1 “strongly disagree”. While abroad, your company faced:
    - ( ) Difficulty to secure the business model and standard used abroad
    - ( ) Difficulty to train and manage people in another culture
    - ( ) Difficulty to meet consumers demands
    - ( ) Difficulty to comply to local legislation
    - ( ) Difficulty to adapt to local language
    - ( ) Other difficulties. Which ones? \_\_\_\_\_
  7. Do you currently prospects and chooses franchisees abroad?
    - ( ) Yes. Which country? \_\_\_\_\_
    - ( ) No.
  8. Does the company have master franchisee? Where?
    - ( ) Yes. Which country? \_\_\_\_\_
    - ( ) No.



9. Is innovation in Brazil affected by the operation abroad?  
( ) Yes. How? \_\_\_\_\_  
( ) No.

### Part B – International Marketing

1. Is the brand in Brazil the same or different from the brand abroad?  
( ) Same ( ) Different  
How is it different? \_\_\_\_\_
2. Is positioning the same or different abroad?  
( ) Same ( ) Different  
What has changed? \_\_\_\_\_
3. Is marketing strategy the same or different abroad?  
( ) Same ( ) Different  
What has changed? \_\_\_\_\_
4. Is there marketing support to franchisee abroad?  
( ) Yes. What kind of support? \_\_\_\_\_  
( ) No.
5. Explain what your company did as regards the following:
- 5.1 Did your company have to conduct market research to operate abroad?
  - 5.2 Did your company have to adapt products and services to operate abroad?
  - 5.3 Did your company have to adapt products and services to continue operating abroad?
  - 5.4 Was product communication adapted to the local language?
  - 5.5 Was product strategy adjusted to the new market?
  - 5.6 Was technical support offered to the franchisee abroad?
  - 5.7 Were advertising and communication adapted?
  - 5.8 Was there training for the franchisees abroad?
  - 5.9 Was communication support offered abroad?
  - 5.10 Was product pricing adjusted to operate abroad?
  - 5.11 Is pricing abroad considered competitive?
  - 5.12 Is your company a bold company as regards actions abroad?
6. How is the coordination of marketing actions done abroad?  
( ) Centralized in Brazil  
( ) Local representative  
( ) Other
7. How does your company measure the results of marketing initiatives?

### Part C – Results

1. What percentage of your current income comes from overseas?  
( ) Up to 5%  
( ) 5-10%  
( ) 11-15%  
( ) 16-20%



- ( ) Over 20%
2. Are you satisfied with the results of your Franchising abroad?  
( ) Yes.  
( ) No. Why? \_\_\_\_\_
3. Are the results of your Franchising abroad economically satisfactory  
( ) Yes.  
( ) No. Why? \_\_\_\_\_
4. Are the results of your Franchising abroad strategically satisfactory?  
( ) Yes.  
( ) No. Why? \_\_\_\_\_
5. Do you believe it is important to have a global vision (see the world as one single market)?  
( ) Yes.  
( ) No. Why? \_\_\_\_\_
6. Do you believe your company leadership thinks in the long term?  
( ) Yes.  
( ) No. Why? \_\_\_\_\_
7. Does your company think globally and act locally?  
( ) Yes.  
( ) No. Why? \_\_\_\_\_
8. Does company leadership cascade down this model to the entire organization?  
( ) Yes. How? \_\_\_\_\_  
( ) No.
9. Additional comments: What suggestions would you offer to companies that wish to internationalize?



## APPENDIX B. QUESTIONNAIRE: STRATEGIC ASPECTS

Dear Franchisor,

This survey is being conducted by ESPM in partnership with ABF. The objective of this survey is to understand the major factors related to the global competitiveness of the Brazilian Franchising. The Brazilian Market has increasingly been the target of international Franchising brands and, in addition, has exponentially increased the number of Brazilian Franchising abroad. Therefore, ESPM in partnership with ABF intends to scrutinize through this survey the national Franchising with strategic solutions to compete in the global competitive environment.

Respondents will:

1. Receive the full report first hand
2. Participate in a workshop promoted by ESPM exclusively for the participants. In this Workshop we will discuss the results of the survey and the strategic alternatives for the global competitiveness of Brazilian Franchising.
3. Be invited to participate in the VII ESPM Administration and Marketing Symposium, which will count on the presence of Ilan Alon, one of the greatest experts in the world in global competitiveness of Franchising in emergent markets.

Furthermore, we'd like to inform that none of the questions below is intended to reveal strategic information on the company and all data will be handled altogether, so as to make it impossible to identify the companies surveyed.

Sincerely,

Dr. Thelma Rocha, Dr. Felipe Borini, Dr. Eduardo Spers

e-mails: [tvrocha@espm.com](mailto:tvrocha@espm.com), [fborini@espm.docm](mailto:fborini@espm.docm), [espers@espm.com](mailto:espers@espm.com)

Franchising Name: \_\_\_\_\_

Respondent Name: \_\_\_\_\_

Respondent Job Title: \_\_\_\_\_

E-mail: \_\_\_\_\_

The Franchising has units abroad ( ) Yes ( ) No (skip next question)

Number of units abroad: \_\_\_\_\_ units

Number of units in Brazil: \_\_\_\_\_ units

Year of start of operations in Brazil: \_\_\_\_\_

Principal place of business - City: \_\_\_\_\_

Number of employees: \_\_\_\_\_ employees

**Within a scale from 1 = strongly disagree to 5 = strongly agree, please answer:**

1. Regarding your company	1	2	3	4	5
The Franchising believes several market actions are needed in order to achieve the goals.					
The Franchising stands out for launching some actions that are imitated by other Franchising.					
The Franchising quickly launches new products in the market.					
The Franchising prefers high risk projects.					
The Franchising is bold in efforts to maximize market opportunities.					
In times of uncertainty, the Franchising evaluates alternatives to mitigate costly mistakes.					
In dealing with competitors, the Franchising avoids to confront other Franchising.					
The Franchising prefers to adopt gradual actions.					

2. Regarding the relationship with your customers	1	2	3	4	5
The Franchising continuously monitors customer satisfaction levels.					
The Franchising measures customer satisfaction systematically and frequently.					
The Franchising strategy for competitive advantage is strongly based on understanding customers' needs.					
The Franchising regularly communicates information about successful and unsuccessful experiences with customers.					
The Franchising is more customer-oriented than competition.					
The motto that the Franchising exists to serve the customer is above any other motto in the organization.					
Data on customer satisfaction are frequently disseminated to all franchisors.					
The Franchising invests heavily in surveys to understand customers' needs.					
The Franchising searches opportunities in areas where					



customers have difficulty to express their needs.					
The Franchising frequently discusses the strengths and weaknesses of the main competitor.					

3. Regarding the main competitor	1	2	3	4	5
During the last year, your rate of successful innovations was greater than the competition rate.					
During the last year, the differentiation level was greater than competition.					
During the last year, the number of innovations was greater than competition.					
During the last year, the Franchising grew market share more than competition.					
During the last year, the Franchising grew sales more than competition.					
During the last year, the Franchising was more profitable than competition.					
During the last year, the overall performance of the Franchising was better than competition.					

4. Compared with competition, your products and services are the main competitor	1	2	3	4	5
Products and services more innovative, in constant transformation.					
Products and services stable in certain lines and markets, and innovative in other lines and markets.					
Products and services that are quite stable in all lines and markets.					

5. Compared with competition, your image in the market is of a company that	1	2	3	4	5
Offers few and selected products and services of superior quality.					
Adopts new ideas and innovations only after a thorough analysis.					
Is considered innovative and creative.					

6. The general approach of the company regarding market entry is driven by	1	2	3	4	5
Focusing on developing the markets where we currently operate.					
Adopts new ideas and innovations only after a thorough analysis.					



Is considered innovative and creative.					
--	--	--	--	--	--

7. One of our major goals is our dedication and effort to	1	2	3	4	5
Keep costs under control.					
Carefully evaluate our costs and revenues so as to keep costs under control and selectively create new products and services or enter new markets.					
Ensure that people, resources and equipment necessary to develop new products and services are available and accessible.					

8. Your administrators (franchisors) skills are better described as:	1	2	3	4	5
Analytic: their skills should enable them to identify trends and develop new products or markets.					
Specialized: their skills should be focused on one or a few specific areas.					
Diverse and entrepreneurial: their skills should be varied, flexible and must facilitate changes.					

9. The only thing that distinguishes your products from those of your competitors is:	1	2	3	4	5
We are able to carefully analyze emerging trends and adopt only those with great potential.					
We are able to make a limited number of things exceptionally well.					
We are able to consistently develop new products, services and markets.					

10. More than your competitors, your company focuses on:	1	2	3	4	5
Keeping a safe financial position through measures to control cost and quality.					
Evaluating market opportunities to choose the ones with good potential only, while protecting our safe financial position.					
Developing new products and services and expanding in new business or markets.					

11. Regarding your contracts with franchisees:	1	2	3	4	5
The franchisees turnover is low.					
Issues that arise in the course of the relationship are handled as a whole, rather than individually.					
The parties involved in the relationship are committed to improvements that may benefit the relationship as a whole, and not just the parties individually.					

The parties involved in the relationship do not find it inconvenient to receive favors from the other.				
Breaches of contract by franchisees are severely punished, by the Court if necessary.				

### Appendix C. Comparative Table of Means

There is a significant difference between Segment means when “sig” is less than 0.05.

Dependent Variable		(I) Cluster Number of Case	(J) Cluster Number of Case	Mean Difference (I-J)	Std. Error	Sig.	Interval	
							Lower Bound	Upper Bound
Prospector	Tukey HSD	1	2	1.35929*	.14865	.000	.9995	1.7190
			3	.63790*	.12975	.000	.3239	.9519
		2	1	-1.35929*	.14865	.000	-1.7190	-.9995
3	-.72138*		.16219	.000	-1.1139	-.3289		
Analytic	Tukey HSD	3	1	-.63790*	.12975	.000	-.9519	-.3239
			2	.72138*	.16219	.000	.3289	1.1139
		1	2	.88700*	.15619	.000	.5090	1.2650
3	-.06286		.13633	.890	-.3928	.2671		
Defensive	Tukey HSD	2	1	-.88700*	.15619	.000	-1.2650	-.5090
			3	-.94986*	.17041	.000	-1.3623	-.5374
		3	1	.06286	.13633	.890	-.2671	.3928
2	.94986*		.17041	.000	.5374	1.3623		
1	Tukey HSD	2	3	-.53577*	.13000	.000	-.8504	-.2212
			3	-.08394	.14893	.840	-.4444	.2765
		2	3	-.61971*	.16250	.001	-1.0130	-.2264
3	1		.53577*	.13000	.000	.2212	.8504	
	2	.61971*	.16250	.001	.2264	1.0130		

Source: Authors (2012).

## ANNEX A. BRAZILIAN FRANCHISING ABROAD IN AUGUST 2012

No.	Sector	Brand	Countries
1	Personal Accessories & Footwear	AREZZO	4
2	Personal Accessories & Footwear	CAPODARTE	1
3	Personal Accessories & Footwear	CARMEN STEFFENS	13
4	Personal Accessories & Footwear	CHILLI BEANS	3
5	Personal Accessories & Footwear	DUMOND	10
6	Personal Accessories & Footwear	LUPALUPA	1
7	Personal Accessories & Footwear	MORANA	2
8	Personal Accessories & Footwear	SANTA LOLLA	1
9	Personal Accessories & Footwear	VIA UNO	25
10	Food	AU AU LANCHES	1
11	Food	BOB'S	2
12	Food	GIRAFFAS	3
13	Food	ROASTED POTATO	1
14	Food	SPOLETO	2
15	Food	VIVENDA DO CAMARÃO	3
16	Bar, Restaurant & Pizzeria	JET CHICKEN	1
17	Bar, Restaurant & Pizzeria	JIN JIN	1
18	Beverages, Coffees, Candies & Pastry	FABRICA DI CHOCOLATE	9
19	Beverages, Coffees, Candies & Pastry	TOSTARE CAFÉ	1
20	Beauty, Health & Natural Products	DEPYL ACTION	1
21	Beauty, Health & Natural Products	EMAGRECENTRO	2
22	Beauty, Health & Natural Products	HOKEN	3
23	Beauty, Health & Natural Products	JACQUES JANINE	1
24	Beauty, Health & Natural Products	MAGRASS	1



25	Beauty, Health & Natural Products	MUNDO VERDE	1
26	Beauty, Health & Natural Products	PELO ZERO DEPILAÇÃO	1
27	Beauty, Health & Natural Products	WERNER COIFFEUR	1
28	Communication, Computers & Electronics	TOTVS	17
29	Construction & Real Estate	FRANQUIA IMÓVEIS	1
30	Cosmetics & Perfumery	O BOTICÁRIO	6
31	Education & Training	MICROCAMP	2
32	Entertainment, Toys & Leisure	FUNCLICK	1
33	Entertainment, Toys & Leisure	IGUI	4
34	Language Schools	ABC - AMERICAN BRAZILIAN CENTER	2
35	Language Schools	CCAA	11
36	Language Schools	ESCOLAS FISK	6
37	Language Schools	WIZARD IDIOMAS	8
38	Cleaning & Maintenance	ASTRAL	1
39	Cleaning & Maintenance	SAPATARIA DO FUTURO	1
40	Bookstores & Stationer's shops	LIVRARIA E PAPELARIA NOBEL	3
41	Furniture, Decoration & Gifts	CLOSET & CIA	3
42	Furniture, Decoration & Gifts	GATOS DE RUA	2
43	Business, Services & Convenience	CARTÓRIO POSTAL	1
44	Business, Services & Convenience	COSTURA DO FUTURO	1
45	Automotive Services	LOCALIZA RENT A CAR	8
46	Clothing	CANTÃO	6
47	Clothing	DARLING	1
48	Clothing	GREEN BY MISSAKO	1
49	Clothing	HERING STORE	4
50	Clothing	HOPE LINGERIE	3



51	Clothing	LILICA & TIGOR	3
52	Clothing	PUKET	1
53	Furniture, Decoration & Gifts	CASA COR	4
54	Cosmetics & Perfumery	AKAKIA COSMÉTICOS	1
55	Communication, Computers & Electronics	ALTERDATA	1
56	Education & Entertainment	ANGLO-AMERICANO	1
57	Cosmetics & Perfumery	ARMAZÉM AMAZÔNICO	1
58	Automotive Services	BESTDRY	1
59	Food	BONAPARTE	1
60	Clothing	BRASIL SUL	3
61	Beverages, Coffees, Candies & Pastry	CAFÉ DO PONTO	1
62	Business, Services & Convenience	CARTAXI	1
63	Clothing	COLCCI	8
64	Personal Accessories & Footwear	DATELLI	1
65	Hotels & Tourism	EXPERIMENTO	1
66	Beauty, Health & Natural Products	FIT4 - FITNESS STORE	1
67	Beverages, Coffees, Candies & Pastry	FREDDISSIMO	1
68	Business, Services & Convenience	GELRE	1
69	Food	GRAND CRU	3
70	Personal Accessories & Footwear	HAVAIANAS	1
71	Bar, Restaurant & Pizzeria	KONI STORE	1
72	Communication, Computers & Electronics	LINKWELL	3
73	Clothing	M. OFFICER	2
74	Personal Accessories & Footwear	MAZ BRASIL	5
75	Clothing	MISSBELLA	1
76	Food	MISTER SHEIK	1

77	Clothing	MORMAI	3
78	Food	PASTELÂNDIA	3
79	Personal Accessories & Footwear	PINKBIJU	1
80	Entertainment, Toys & Leisure	PROXIMO GAMES	1
81	Clothing	PUC	1
82	Clothing	RICHARDS	1
83	Clothing	ROSA CHÁ	3
84	Beverages, Coffees, Candies & Pastry	SHOWCOLATE	9
85	Education & Training	SUCESSO EM VENDAS	1
86	Cosmetics & Perfumery	TRUSS COSMETICS	5
87	Beauty, Health & Natural Products	UNIORTO	1
88	Language Schools	YES ! - CURSO DE IDIOMAS	1
89	Food	ZEBRA ZERO	1
90	Education & Training	SUPERA - GINÁSTICA PARA O CÉREBRO	1
91	Education & Training	SMARTZ SCHOOL	3
92	Communication, Computers & Electronics	LIGUE SITE	1