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**SELLING AND MARKETING OF FRANCHISING RIGHTS IN  
FINLAND**

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**ABSTRACT:**

Franchising was first introduced in the Finnish market in the 70's and has since grown to between 250 and 300 active chains. Academic literature on selling and marketing of franchising rights in the Finnish market has not been updated in over a decade. The goal of this study was to produce up to date knowledge on the desired new franchisee profile formulation and selling and marketing efforts of chains operating in the Finnish market.

The study group are members and candidate members of the Finnish franchising association Suomen Franchising-Yhdistys ry. Both, the chain management (franchisors) and the chain members (franchisees) are interviewed for this study. The first objective was to inquire and analyze the attributes and resources franchisors most desire on new franchisees and with what means of selling and marketing these entrepreneurs are discovered and brought in as members of the chain. The second objective was to measure, to which degree they are able to attain the attributes and resources they report to be looking for and to what degree each marketing channel performs in new franchisee recruiting.

The study was carried out with a quantitative questionnaire survey. The study group gathered a total of 12 chain managers responsible of recruiting new franchisees to their chains and a total of 34 franchisees answers.

Results of the study indicate that franchisors are specific on favoring a certain range of ages in new franchisees and some personality qualities such as willingness to work hard, perseverance and loyalty to franchisor were reported as the most desired qualities. The greatest shortcomings in desired attributes and realized attributes were loyalty to franchisor, financial level and local experience and networks of the franchisees. The traditional marketing channels conventions and print media are still well used and quite well received, but the digital platforms of publications and social media are rising to match, and among the younger end of franchisees to overtake, the traditional channels. Job advertisements are well performing activities in both print and digital channels and could be further benefitted by keyword -marketing and search engine optimization.

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**KEYWORDS:** franchising rights, Finnish market, franchisee profile, marketing channel

## 1. INTRODUCTION

Franchising is commonly used when a company seeks a model for growth when there is a need for resources in terms of capital and human capital (Norton 1988). Franchising also offers a model that minimizes the need and cost of monitoring as the problem of monitoring is delegated to the operator of the local business unit (Brickley, Dark and Weisbach 1991). Less traditional reasons for the use franchising as a business model are benefits of scale in production and purchasing (Ghantous, Chameroy, Léo and Philippe 2013) and possibility of a uniform international marketing strategy (Sashi and Karuppur 2002) while leaving the possibility of adjusting the products, services and their local marketing schemes to better suit the local demand (Kaufmann and Eroglu 1999). According to Torikka (2004) franchising-activities have taken place in Finland from the 70's and the amount of systems operating in Finland in 2002 was 164. The Finnish Franchising association reported in 2015 that there are 250-300 chains operating in Finland of which 75% are domestic and 25% of foreign origin (Suomen Franchising Yhdistys ry 2015).

The main goal of franchising is business expansion. Therefore, one of the core functions of the chain is to recruit new members to operate their local outlets as franchisees. Success and efficiency in recruiting activities is recognizing the critical qualities and resources for new franchisee's success and addressing the problem of how to recruit candidates with these qualities and resources. First, the chain must create a desired profile for the new franchisee and then advance to marketing their franchising rights with the most efficient means to get their message to the group that matches their desired profile. Profiles vary to some degree but are also likely to have a great deal of similarities as well. Finding new entrepreneurs who fit the profile to join the chain as members is the next challenge. Franchisors market their franchising rights in varying channels and platforms to address this challenge.

### 1.1. Research questions, framework and methodology

Research questions are following: What new franchisee profile consists of? Are the elements of the profile similar or do they vary between different chains? To what degree the desired profile is realized? What channels are used to market franchising rights in Finland? To what degree each marketing channel performs?

Framework is to study literature on new franchisee profile formulation and what attributes are desired in new recruits. The investigation of marketing channels is limited to the activity of selling and marketing of franchising rights in Finland and more precisely on the perspective of the literature and the chains participating in this survey.

The research methodology is quantitative. Gathering of the answers was carried out with an online questionnaire form sent out via e-mail. The dataset is analyzed with variance analysis between the averages of different answerer groups from answers on Osgood scale and on a scale of percentage portions out of the study group.

### 1.2. Structure of the study

The research study consists of 5 chapters, from which the first three chapters form the theoretical part and the final two the empirical parts of the research study. The second chapter consists of the literature review of this study, which introduces the basic concept and fundamentals of franchising and investigates the relationship between franchisor and franchisee with the intent to discover, what qualities and assets are included in the desired profile of a new franchisee. Objective of the literature review is also to accumulate knowledge on by which methods and channels of marketing, advertising and sales franchisors attract and approach their potential new franchisees. Findings from the literature review serves as a base for the research study and hypothesis formation. The third chapter explains the methods of this study and the study group participating in this survey. The fourth chapter analyzes the answers of this survey. The fifth and final chapter concludes the findings of this study and suggests some implementations of these findings.

## 2. LITERATURE REVIEW

This chapter explains reasons for franchising and how it is applied, what companies look for in new franchisees and what actions and channels are common in the process of selling and marketing of franchising rights. Two most traditional explanations of using franchising as a business model are scarcity of resources and principal-agent problem.

### 2.1. Franchising

International franchising transactions across the globe take place all the time. Franchisors transfer product ideas, brand names, marketing skills and operational procedures to franchisees. Franchisor and franchisee are connected parts of a system and strive to optimize the output of the system and reach long-term success by utilizing resources efficiently. These individuals operate in their own domains and selection of franchising as a business model is affected by internal and external factors such as technical complicity, brand, uncertainty of global environment, cultural diversity, conflict of interests and opportunistic behavior. (Sashi and Karuppur 2002)

Laakso (2005) separates three forms of franchising: Trade Name Franchising, Product Distribution Franchising and Business Format Franchising (BFF). Trade Name Franchising is an arrangement of handing over a trademark, logo or trade name for a franchisee to use and some examples are certain hotel chains or authorized service or maintenance providers. Product Distribution means a solution of a supply network in which franchisor hands over the right to sell a product they have developed and possibly even manufactured. Examples of such franchising are some soft drink producers, clothing stores and software producers. Business Format Franchising is the most extensive and intensive form of franchising, because the franchisor hands over the right to the entire business model and therefore operates on a deeper relationship with its franchisees. Business Format Franchising is the form of franchising that is known as franchising in Europe and Finland. (Laakso 2005; 34-37)

Due to Laakso's definition between franchising models and generalization of what is understood as franchising in Europe and Finland, this study will limit its investigation within the Business Format Franchising. Also, the study is limited to the research of the most general franchising method: direct franchising, and thus, excluding franchising subsidiaries, joint ventures and master franchising (Quinn and Alexander 2002 and Alon 2006). Finally, the study will not investigate the ownership structure of the chains, since Botti, Brieç and Cliquet (2009) state that there is no empirical evidence that supports any performance advantages, even though it would make sense on theoretical grounds. It is however noteworthy, that Cliquet and Croizean (2002) discovered in their research, that the number of franchisees' units grow faster than company owned units as the level of the entire operation grows and that possession of special know-how is central to this development.

## 2.2. Explanations of franchising

### 2.2.1. Resource scarcity

Resource based theory explains franchising as a solution for limited resources. Norton (1988) listed resource scarcity theory being based into the pursuit of equity and market position. Norton's empirical research of franchising as a form of organization underlines the pursuit of acquiring human capital, especially managerial experience through franchising, because it is expensive to search for capable local managers who do not shirk, when the organization is trying to expand rapidly. Brickley, Dark and Weisbach (1991) state the selling of franchising rights as a significant source of equity for business expansion. Baena's (2018) studies confirm, that in the early years companies use franchising as an entry mode to new markets and once the chain has accumulated the necessary resources, it often buys the franchised units back from the local franchisee.

Lafontaine (1992) refers scarcity of equity as a traditional explanation for franchising that falls short on explaining franchising, since the empirical evidence on franchising systems does not show a trending shift toward in-house ownership even though systems build enough capital to have the opportunity to do so. It is also not unusual that franchisors offer financing for franchisees. Lafontaine mentions how Rubin pointed out that by investing into a single outlet a franchisee exposes oneself to a greater risk than investing into the portfolio of the chain, which consists of every outlet in the chain. A risk averting investor would demand a higher risk premium for his investment on a single outlet than from an investment into the portfolio of the chain, where the risk is diversified and therefore the franchisor would receive cheaper capital by offering a portfolio of its outlets to invest into rather than full ownership of single outlets. (Lafontaine 1992)

Lafontaine (1992) states that resource theory cannot explain reasons for franchising on its own and is stronger when combined with agent theory that is more precisely known as moral hazard phenomenon and takes place in the relationship between a principal and an agent.

### 2.2.2. Monitoring costs

Brickley et al. (1991) that franchising is not exclusively a tool for acquiring capital for small companies. Assumption of agent theory is that organizations strive to minimize their costs and thus search for cheapest incentives, methods of engagement and costs of monitoring employees and managers. Incentive models of franchising relationship minimize the costs of monitoring, because it rewards franchisees for their efficiency with better profits (Norton 1988). According to Norton (1988) franchising offers significant stakes for agents for profits of their local operations. Brickley et al. (1991) found support to the hypothesis of agent theory according to which franchising is a method of transferring the monitoring of the local outlets to the local outlet managers, in other words franchisees. Ownership of outlets ensures the highest level of engagement and performance, because if instead of owning their own outlets they would own a piece of the portfolio of the chain, they would deem the effect of their actions to have very little

consequence to their bottom line and choose a lower level of efforts (Lafontaine 1992). Agent theory and elimination of monitoring costs combined with resource scarcity theory offers a more complete explanation to choose franchising as a model of business expansion.

Norton (1988) suggests that the costs of monitoring grow as the distance to the outlet under monitoring grows. Sashi and Karuppur (2002) state that the driver monitoring costs in the context of geographical dispersion is local value production and that costs of monitoring are connected to international experience of the organization in a sense that inexperience leads to lower capabilities to monitor and the costs ends greater when international experience is lower. Baena (2018) has also discovered, that the larger number of units abroad and the longer a chain has operated abroad, leads to greater international franchising experience and minimizes the agency problems. According to Bricley, Dark and Weisbach (1991) outlets with non-repeating customers are more likely to slack in produced quality, exploit the brand name and shirk on local marketing operations. Norton (1998) states that a local franchisee is less likely to compromise in quality when that franchisee invests heavily into his franchising unit. Sashi and Karuppur (2002) also consider high buy-in payment into franchising system and low ongoing royalty fees as a way for a system to protect itself against uncertainty and the challenges of monitoring. However, Shane and Foo (1999) did not discover positive nor negative effect of applied rate of royalty and franchising fees on new franchisor survival in their study, even though agent theory considers royalties as the most important incentive between both parties of a franchising relationship and thus the central factor in a franchising contract that determinates the efficiency of both parties.

Barthlehemyn (2009) points out, that an extensive empirical evidence shows that franchising decisions are influenced by agency variables. Barthlehemyn (2009) elaborates, that empirical results also indicate that successful chains act as examples or role models in the franchising context.

### 2.2.3. Institutional behavior

When a company undertakes new activity, it needs to establish internal and external norms, new roles for staff members and standards for operational procedures. Partly to create credibility, when establishing new “correct” ways to do things, the management refers to strong institutional factors. (Shane and Foo 1999)

Barthelemy (2009) proposes that institutional behavior has developed to one of the leading views of organizational analysis. Central to institutional theory is external pressure that molds companies to conform to their environment. When successful companies operate in a certain way, others tend to follow, because their way of operating is taken for granted and considered a good way to gain credibility from potential suppliers. Imitators also save on the costs and time of research as they simply copy the industry practice. Barthelemy (2009) discovered that chain operators’ trust in franchising is higher when their successful competitors’ chains have a large number of franchising outlets vs. company owned outlets and the level of trust in franchising lower, when their successful competitors operate with a low level of franchising outlets vs. company owned outlets. Uncertainty around the optimal number of franchising outlets vs. company owned outlets is often dealt with copying, because copying is an important mechanism in addressing uncertainty. (Barthelemy 2009)

### 2.2.4. Suitability of franchising

Franchising is a suitable mode of operating when an organization possesses a low level of international experience and faces difficulty in the area of monitoring its agents, as stated earlier (Sashi and Karuppur 2002). Other strengths of franchising stem from internal and external uncertainties of operating in a global scale: there are uncertainties in the areas of politics, economics and currencies that exposes the network of a business to risks (Sashi and Karuppur 2002). According to Sashi and Karuppur (2002) franchising is a good way to protect the mother company from these uncertainties. Duniach-Smith (2004) agrees, that franchising is a good mode of protecting the mother-company, when

penetrating a new market. In 2015, according to Suomen Franchising Yhdistys ry, there was 250-300 chains operating in Finland, out of which 25% was from foreign origin. Baena (2018) states, that in her studies, the number of years that systems have been operating is greater among product-oriented chains than in service-oriented and that product-oriented chains have a greater number of operational outlets abroad and do business in a higher number of countries. Baena credits this to the high levels of tacit know-how that is characteristic to service-oriented chains and is more difficult to transmit and creates information asymmetries that, according to Baena, lead to higher monitoring costs and consequently, a lower number service-oriented chains operating abroad in contrast to product-oriented chains. Silvester, Stanworth, Purdy and Hatcliffe (1996) state, that their research showed franchising systems reaching the level of self-sufficiency after growing their number of outlets between 21-50 units, depending on the size and profitability of these outlets and Shane and Spell (1998) also argue, that rapid expansion increases the likelihood of new franchisee survival by a great deal due to dispersion of high running advertisement investment costs of the early phases of a business between a higher number of outlets. In practice, this means that the business format, concept and the position of the branding need to be designed so that it can be copied and managed in a fast enough and cost-efficient manner.

Sashi and Karuppur (2002) adds, that limitation to using franchising as a mode of operation is when a company possesses know-how, that it wants to protect or the level of technological change within the company is high. The cost of transmitting the know-how and the need to protect it, as it usually does not come cheap, is high and therefore full control through full ownership is favored over franchising. (Sashi and Karuppur 2002)

Laakso (1998) points out that whatever the proportional weighting between royalties and franchising fees applied is, belonging to a franchising chain should not be more expensive than operating as a stand-alone business. Being part of a system should result to a higher level of activities and conceptual elements than a single operator can achieve on its own. System fees and royalties vary between systems and according to Sashi and Karuppur (2002) are affected by demand of franchising rights that is a result of the systems

geographical spread and franchisors operational and international experience. However, Laakso (1998) and Shane and Spell (1998) suggest, that franchising contracts and their system fees and royalties are equal to all franchisees and difficult to alter after taken into practice. (Laakso 1998;74-75)

### 2.3. The desired new franchisee profile

To address the issue of selecting new franchisees to operate in the system, we must first assess the two approaches to franchise expansion: the strategic and the opportunistic approach. Dorethy (2009), the scientist behind the distinction of these two approaches to franchise expansion, elaborates that the strategic approach is based on active search of attractive markets or strategic partnerships, whereas the opportunistic approach is not actively searching for markets or partners, but listening to solicitations coming from outside their organization. The former is engaging in analytics and assessments on what they look for and where, and the latter either does not have an idea what they look for in a new franchisee or does but does not want or know how to take measures to actively pursue them. Quinn and Alexander (2002) add that an organization can be considered proactively seeking international expansion, when they have domestic franchising activities and seek to copy their format in non-domestic markets. Dorethy (2009) lists the key qualities of the assessment of strategic partner to be:

1. Financial state
2. Business skills
3. Local knowledge
4. Understanding of the franchisors
  - business
  - concept
  - brand
5. Suitability of personality

In this light, the organizations seeking expansion are very likely to have a profile of potential franchisees they look to recruit as new members to their franchising chain.

Laakso (2005) and Shane and Spell (1998) deems franchisee recruiting as the most crucial function in terms of franchisor success. It requires recourses right from the beginning of franchising and without it there is no revenue streams to maintain franchisors business. New franchisor recruiting relies on finding the right kind of entrepreneurs to sell the new business opportunity to. (Laakso 2005; 234-235)

Ethical code of European franchising states that new franchisee recruits, after reasonable investigation, should possess the necessary skillset, education, financial state and personal qualities to operate a franchising outlet. This is to ensure not only the franchisees, but the whole chains' likelihood for success. One of the central rules of franchisor success is to recognize optimal profile of a franchisee and pursue those qualities within the profile in new franchisee selections. If the key elements of the profile are not known or enforced in recruitment, resulting in unfitting and incapable franchisees, franchising system is likely to face problems in franchisees ability to turn profit or cooperate in the system, which indirectly extend all the way to other franchisees within the system. Franchising is, essentially, based on efficiency of copying a business model and that extends to franchisee recruitment as well, since dissimilarities limit ability to apply similar methods and principles to every member of the chain. In the following, we will look into some views of building a profile for new franchisees. (Laakso 2005; 235)

According to Laakso (2005) new franchisee profile is quite complicated and does not only focus on "hard" competencies such as level of professional and formal competency as recruiting process of new staff often focuses on. It is a search of long term partnership that aims to a functioning relationship in terms of the franchising concept. Basic question is: are we looking for an entrepreneur already working in the industry or perhaps an entrepreneur who is just starting up as of now. When a potential candidate is in fact pursuing a new career path in franchising, it is often in order to carry out some research of this candidates' situation in life and social background. This is followed with

investigations of a candidates' entrepreneurial abilities such as, basic skills, educational- and professional background, health and physical applicability as a franchisee for a particular chain. One central factor is the candidates financial state of affairs. (Laakso 2005; 235-236)

It is important to consider whether it is important that new franchisees have entrepreneurial experience or experience of the industry that the chain operates in. In some cases, for instance in fast food, it is not uncommon that previous experience from the industry is considered as a non-desired quality, because the franchisor wants to avoid re-educating entrepreneurs to desires "new ways" of operating. In other cases, entrepreneurial experience and knowledge of a particular industry is highly regarded. In information intense fields, a higher level of education is desired and formal education can be a required in some fields of healthcare, for instance. (Laakso 2005; 235-236)

Candidates' situation in life and social background, such as structure of one's family, are often assessed in the recruiting process. Some conclusions can be drawn from these factors such as: likelihood to success, motivation and level of risk taking and tolerance. (Laakso 2005; 236-237)

New career path as franchisee should come as a natural continuum for candidates' professional career and suit candidates' situation in life. According to Laakso (2005), in several cases, having local market knowledge, experience and networks rises as a condition for new franchisees. This is common for industries such as real estate and retail of sports equipment, where it is considered highly desirable that new franchisees are networked to local communities and associations to gain acceptability and customer base in favor of the franchising system. Financial background is often related to a candidates' situation in life. Buy in investments to a franchising system vary from thousands to hundreds of thousands and the financial aspects of candidates play a greater role especially in the high end of the buy in investment to a system. This needs to come up in the franchisee profile and limit candidates that do not reach the requirements to take part into the time and resource consuming process of recruiting and investigating of new

franchisee candidates. Physical and mental factors are also important as some franchising chains hold certain values central to their brand and operational standards. These qualities can be measured and ensured with a personality analysis or with investigation of the candidates' reputation. Special attention should be emphasized on the candidates' motivation for and attitudes on becoming a franchisee. It is important to make sure if the candidate is serious about entrepreneurship or simply dreaming of owning a business and how do they feel about the particular concept and business model of the franchising system. New franchisee should understand the concept, commit to its ideology and preferably see it as a vehicle towards success as a business owner. Laakso (2005) has prescribed the most common attributes for new franchisee profile and makes some categories between Must have -qualities and Nice to have -qualities. Must have -qualities are deal-makers or breaker in a sense that those qualities should be met by every franchisee within the chain. (Laakso 2005; 236-237)

Laakso's (2005) list of general components considered in the franchisee profile:

Person vs. company (beginning or operating entrepreneur)

Ownership structure of the company

Candidates' values and views on the future

Educational background

Professional background

Entrepreneurial background

Competency requirements

Financial background

Age, sex and health

Situation in life

Social background

Local experience and networks

Suitability

Personality

(Laakso 2005; 238)

According to Laakso (2005) a typical answer to new franchisee profile is far too often along the lines of “a sales oriented or otherwise nice person”. Building a franchisee profile is a development project for a new franchisor and requires quite a bit of thought and time. Each franchising system has a different franchisee profile and the optimal profile is up to the franchisor to assess and recognize. When a franchisor advertises to recruit new franchisees, the franchisor has a good idea of the target group and now needs to find the most efficient way to reach these potential new franchisees. (Laakso 2005; 238-239)

Ramirez-Hurtado, Ronda-Catluña, Guerrero-Casas and Berbe-Pineda (2011) conducted a study of franchisee profiles that franchisees prefer by first with an inquiry to franchising experts with 39 answerers to create a pool of desirable attributes and selected ten most marked attributes that they then ranked by desirability among Spanish franchising system’s managers, from whom they received 181 individual usable answers. Their discoveries were following:

**Table 1.** Attributes of franchisee profile Source: Ramirez-Hurtado et al. (2011)**Table 4.** Relative importance of attributes and partial utility of the levels associated with the franchisee profile

ATTRIBUTES	Average importance	LEVELS	Utility
Management Capability	16.4	– Senior manager	0.47
		– Junior manager	0.04
		– No Management Capability	–0.51
Capacity for Human Relations	10.1	– Extrovert	0.34
		– Introvert	–0.34
Entrepreneurship	8.4	– Entrepreneur	0.25
		– Non entrepreneur	–0.25
Wish for success	8.2	– High wish for success	0.29
		– Low wish for success	–0.29
Willingness to Work Hard	14.2	– Full time	0.33
		– Part time	0.06
		– Other people work	–0.39
Previous experience in a related business	5.8	– Previous experience	0.15
		– No previous experience	–0.15
Loyalty to Franchisor	19.1	– Very loyal	0.66
		– Loyal to some extent	–0.06
		– Not loyal	–0.60
Financial Level	7.8	– Over required investment	0.23
		– Only required investment	–0.23
Perseverance	10.0	– With perseverance	0.34
		– Without perseverance	–0.34
Constant: 2.94			
Pearson rho coefficient: 0.98		Significance: 0.00	
Kendall tau coefficient: 0.92		Significance: 0.00	

These discoveries offer good insight on what attributes franchisors value in franchisees. The researchers discovered that the most desirable attribute stands out as four times more highly regarded than the least desired attribute out of the ten possible answers. (Ramirez-Hurtado et al. 2011)

Three most desirable attributes were:

- 1 - Loyalty to Franchisor
- 2 - Management capability
- 3 - Willingness to work hard

Least desired out of the ten possibilities above were:

9 - Financial level of franchisee (assuming it is enough to buy in and start up)

10 - Previous experience in related business

The most highly regarded quality in a desired franchisee profile, according to Ramirez-Hurtado et al. (2011), is loyalty to franchisor. Second most appreciated attribute is management capabilities and third is willingness to work hard. Financial level is surprisingly low on the ranking as well, but the positioning of the question assumes that the necessary level is met and therefore the franchisee would be eligible to start up, thus proving that financial level past the point of minimum requirements, is not highly regarded in the new franchisee profile.

Loyalty to franchisor probably regarded so highly, since it signals commitment, trust and co-operational ease of operating (Ramirez-Hurtado et al. 2011). Franchising relationship is after all somewhat dominated by the franchisor in terms of operational procedures, product and service offering and the global marketing and positioning of the brand. Loyalty also enables conflict aversion in the franchising network (Ramirez-Hurtado et al. 2011). Kaufman and Eroglu (1999) state, that the maturity of the franchisee's business operation advances his/her local market knowledge and may lead to a desire to modify the offering to better suit the local market and doing so, divert from the uniform offering of the franchising chain. Another situation where the experienced franchisee might be tempted to divert from the franchisor's offering is when he/she discovers costs saving from outside the system (Kaufman and Eroglu 1999). In these scenarios, where the franchisee's maturity and experience lead to better confidence about what the optimal product/service should be and potential costs savings by diverting from the standard suppliers of the chain, the loyalty of the franchisee is weighted. From the chain's perspective, a high level of standardization is desired, since it leads to more efficient management of the chain and more unified business format from a customer's point of view (Sherman 2004; 21 & Kaufman and Eroglu 1999). Desire to divert from standardization can also be market driven and to be able to address this (Welsh, Alon and

Falbe 2006), the franchisor must possess agility or/and possibility for some level of local adaption for instance, in the more peripheral elements of the franchise offering (Kaufman and Eroglu 1999). Ramirez-Hurtado et al. (2011) conclude, that loyalty increases franchisees ability to tolerate the franchisors influence. Loyalty, per se, is difficult to measure and Ramirez-Hurtado et al. recommend that franchisors should conduct a personality or psychological test to the franchisee recruitment process to measure this feature.

Management capability is the second most and willingness to work hard the thrid most valued attributes, according to Ramirez-Hurtado et. al (2011). Management capability increases the likelihood of the ability to operate a business in an efficient level and fluently co-operate and communicate with the franchisor. Willingness to work hard is also highly appreciated since it takes time and perseverance to build the business and customer base and Ramirez-Hurtado et. al (2011) note, that an investor minded candidate might be willing to work hard for a good deal, but not available or interested to work hard to get the business of the ground. Franchising agreements rely, on some part, the royalty fees, which are tied to sales of the outlet and also, franchising agreements are often territorial and passive ownership of rights of a territory is not desirable for the franchising system.

Ramirez-Hurtado et al. (2011) state, that some franchising experts and systems value previous experience in the industry. This attribute did not get high scores in the rankings, but it makes sense that some industries require specific resources, for example as Laakso (2005) states, local reputation.

Ramirez-Hurtado et al. (2011) sum up that a desirable franchisee candidate is someone who has professional level management capability, entrepreneurial character, socially extrovert, working full time in a franchising unit, wishes for success, possesses previous experience in a related business, financial level that tops the initial investment, loyal to franchisor and a person of perseverance.

In their analysis, Ramirez-Hurtado et al. (2011) also tested five hypotheses regarding franchisee profile:

H1 Franchisee profile of high income franchisors differs from profile of rest of the franchisees – **researchers did not find support for this hypothesis**

H2 Sector that the franchisors operate in does not alter the profile – **researchers found that some difference exist among industries, but it is insignificant → H2 is accepted**

H3 Financial level is the most important attribute of a new franchisee – **not verified (tested in Spanish market, which at the time, was stable) may show greater importance in more volatile markets**

H4 Number of franchisee units affects the desired profile of new franchisees – **rejected: systems with higher number of units valued capacity for human relations and lower number of units valued franchisees with perseverance in their profiles**

H5 Franchising systems' age does not have an effect on the preferred franchisee profile – **researchers accepted this hypothesis on the grounds that mature and new chains valued the same attributes the most and the least according to their research**

According to Laakso (2005) and Baena (2018) almost all chains experience that it is quite demanding to find enough suitable candidates that suit the concept to operate as franchisees. Maturity and general awareness of a chain and its brand correlate with the number of potential candidates. More experienced and famous chains find their candidates more easily (Laakso 2005) and greater experience enables better success in choosing the right candidates and rejecting less suitable ones, since the correct profile, suitable qualities and the recruiting process are more refined with experience (Baena 2018). Challenges with shortage on suitable candidates can be affected with suitable marketing efforts. (Laakso 2005; 239)

#### 2.4. Selling and marketing of franchising rights

Recruiting new franchisees is demanding and time-consuming activity – especially for those who do not possess prior experience in this activity (Stanwort, Watson, Purdy and Healevs 2004) – that, according to Laakso (1998) is founded on new franchisees' profile and expansion plans drawn out in the planning phase of the chain and should be carried out in a manner that complies with the image of the company. According to Baena (2018), signaling a well-known brand name is one of the key facilitators of a systems ability to attract new franchisees and leads to a bigger pool of potential franchisee candidates. Bigger pool leads to better options when selecting a candidate and reduces the risk of failure in choosing a new franchisee (Baena 2018). Baena adds, that company size also facilitates expansion, because it signals legitimacy and reputation. Shane and Spell (1998) also confirm company size and awareness of the brand as factors that improve the likelihood for success and adds that membership with local franchising-authorities signal credibility and trustworthiness of a franchising system.

Traditional ways of selling and marketing of franchising rights are attending to franchising fares and tradeshows, advertising in print media and with the means of direct marketing. Desired new franchisee profile effects on the methods chosen for marketing and selling: when the new franchisee profile is very clear on certain key resources that franchisees should possess, a more headhunting type of approach is often applied. (Laakso 1998; 79)

In countries where franchising activities are developed, franchising fares, tradeshows and franchising specific publishings are common methods of new franchisee recruiting (Laakso 2005; 239). Franchising fares and trade shows are visited by audience that is particularly interested in investing into and becoming a franchisee. Fares and tradeshows are commonly organized by franchising associations and independent organizers. Laakso (1998) adds that internationally, franchising fares and trade shows are the most common way to approach new franchisee recruiting. (Laakso 1998; 79)

According to Laakso (1998) Finnish chains have traditionally relied on print media adverts as primary channel of marketing of franchising rights. This has not been the most targeted method, since print media at the time did not have dedicated “franchising advert segments”. The common level of knowledge on franchising has been quite poor and some of the adverts have even lead to misunderstandings on the nature of the franchising relationship and the role of the franchisee as a member of the chain. This has occurred especially when adverts have been running in the “hiring” sections and lead to misunderstandings of what is being offered. Some adverts have also taken place in television and other medias, according to Laakso. (Laakso 1998; 79-80)

In 2005, Laakso still states the print media as the most common way of advertising franchising rights in Finland and especially in the “hiring” section. Laakso also states that internet is getting more and more popular and different forms of franchisee recruiting services is being born on the web all the time. Direct search is applied in some fields where a certain skillset is required and therefore recruiting is best carried out in a more headhunting -method than advertising to general public. (Laakso 2005; 239-240)

Direct marketing is, according to Laakso (1998), especially effective when franchisee profile shows clear Must have -qualities, such as recently retired army officials for example (Laakso 1998; 80). This potential is far greater and ever growing as we have entered the information age of today.

Laakso (1998) points out that when negotiating with potential new franchisees’ the franchisor must maintain a position of negotiation rather than aggressive sales positioning. Franchisor must therefore understand, that they are not as much selling franchising contracts as they are in fact selecting a new partner to co-operate with for themselves and other members of the franchising chain, who will help them to expand their business and solve problems for a reasonably great number of years to come. (Laakso 1998; 80)

Another method of new franchisee recruitment when a business expands to new markets abroad is conversion franchising. In conversion franchising franchisor approaches businesses within its industry, often competitors, with the offering of joining into the system as franchisees. Similar operation can be carried out to company owned units to turn them into franchising units. Conversion franchising is an effective method of penetrating new markets. However, these acquired managers and business units often come with their own ways, views and attitudes on how operations should be carried out and what the local market demands, which is why these franchisees are different sort in terms of managing them, in contrast to entrepreneurs that are new to an industry. Many chains operating in Finland have applied this method, such as Café Picnic, Silmäteräoptikko, Teling and Tournée-travel agencies. (Laakso 1998; 80)

Laakso (2005) recommends multi-channel approach since relying on a single marketing channel or method produces good results. Since the profile of a desired new franchisee varies a lot, there is always the need to match media with the profile of the target group. Clothing chain Zara seeks for companies that already operate in the industry and is therefore unlikely to find its franchisee from a franchising face, whose visitors are typically individuals and couples seeking for new career opportunities. Kiosk chain is more likely to find its match from advertising in a common newspaper, when a high profile fast-food restaurant is more likely to find its franchisees in a business and economic -life specific newspaper. On another note, Zara did partner up with Stockmann group as their franchisee in Finland but bought back their outlets once the resources were there (Baena 2018). Ghantous, Chameroy, Léo and Philippe (2013) support the idea, that franchising is often used as a mode of entry to new a country and that the company may still be looking to own the entire operation at that country once that operation proves to be a success. (Laakso 2005; 239-240)

To have a closer look into Finnish media consumption and channels that marketers use, it is required to step outside of the strict association with Franchising, because the prior literature on marketing in this context is listed above and, in fact, has experienced vast change entering to the information age of today. Same can be achieved with the means of

print media and trade shows by sourcing the local offering that suits the desired segment but, especially in the northern Europe, where internet penetration is 94% against the global average of 53% (Smartinsights 2018), there is a possibility to reach a more defined focus group, receive some cost efficiency by paying “per view” and generating useful analytics for development and further follow up activities.

With the insertion of “Pixel” to your company homepage, you can engage remarketing tools that are very common today in consumer marketing (Google 2018). Simply put, remarketing is what you see every day when using the same computer: for example, when booking flights and accommodation a user uses certain keywords and visits certain websites that have active remarketing engaged, the same user finds adverts of travel agencies and booking sites in other sites and platforms online with nothing to do with those services.

In this context it is more important to focus on prospecting, which aims to acquire new customers or franchisees rather than remarketing to get the maximum value out of the existing customer. In its audience targeting section, Google (2018) explains the dynamic prospecting to function with machine learning by exploiting user history performance and user behavior to investigate and generate statistically significant relationships between user intent and feed items. Potential demographics scheme is produced based on this knowledge and the end product is a feed that shows products that are most likely to lead to conversions (Google 2018). The fore mentioned dynamic prospecting is likely not possible to set up as automated in google tools, since analytics cannot interpret conversions in the same manner as it could on a web shop. However, the remarketing tools can be applied, and the dynamic prospecting data is what this study on selling and marketing of franchising rights aims to produce.

#### 2.4.1. New Franchisee Recruitment process

There is a competition for clients in the franchising sector, just as there is in any sector of business. Franchisors need to come prepared with the material that speaks to their focus

group. Most common materials are Power Point -presentations, brochures and application forms. Bigger chains have a general material for the public and more detailed packages for serious applicants. Laakso (2005) has drawn some general information of chains that can be found in most sales materials:

- Market and industry of a chain
- Background of the chain
- Insight of the concept
- Chains' brand and its awareness among the general public
- Co-operational benefits to its chains members

(Laakso 2005; 240)

Material should present market situation, general trends and the attractiveness of the business opportunity and the industry. Franchisors also need to sell the idea of the concept and its elements to convince potential franchisees. A solid brand secures demand for the chains products and therefore for new units as well. Collective purchasing power and economies of scale are part of a chains competitive advantages over stand-alone businesses, which also need to be emphasized in the sales materials. Some candidates seek to be self-employed while other seek to create return on their investment: it is important for a franchisor to understand this difference in the entrepreneur as well. (Laakso 2005; 241)

The relatively long recruitment process has many phases and is preceded with marketing actions that has led to a contact with the candidate franchisee. This is usually a telephone contact, which opens the recruitment process and is followed with some extra material and possibly even with an application form. After filling and returning an application, the candidate is called in for one or more interviews, which are first, designed to map out background and basic requirements and later, more details on the co-operations of the franchising relationship. Applicability and personality tests may also be part of the series of interviews and some chains apply a method of placing the candidate to work in one of

the chains outlets to get a correct and realistic feel of what the business actually is – in many cases the candidate has not worked in the industry for a single day. Usually, the process ends with some type of test before signing the contract. Signing, of course, requires certainty from both parties on the beginning of the co-operation and the success of it. Some cases end to a partial contract or agreement, where the basic principles of co-operation are laid out, but some condition is required to be met, for the contract to be finalized. (Laakso 2005; 241-242)

In a well-handled recruitment process, the franchisor leads the progress of the process and has established clear decision-making points for the franchisor and the franchisee. The process is detailed and documented, so that all candidates go through the same process, receive – and are subjected to collection of the same information and need to meet the same requirements set out for new franchisees. All of this lead to clearer and more efficient decision-making and managing and developing of the process on behalf of the franchisee. With the process mapped and planned, the franchisee knows which stage each individual recruitment process is and is able to handle large quantities of simultaneous recruitment processes. Decision checkpoints need to be clear and produce clear grounds on whether the candidate goes or does not go on in the recruiting process. According to Laakso (2005), systematic execution in new franchisee recruiting process leads to best results. (Laakso 2005; 242-243)

Laakso (2005) recommends, that a good recruiting process functions like a corkscrew: the further it tightens, the grippier it gets. It makes sense to have loose attachments of both sides early on in the process, so that it easier to detach candidates that are unfitting or do not meet the requirements. Similarly, it is desirable to have candidates more attached and invested in the idea of becoming franchisees the longer the candidate has advanced in the process, so to eliminate detachment on the last stages that ends up wasting time and recourses for both parties. Altinay and Okumus (2010) point out that it is not common that franchising decisions are made with insufficient information. Laakso (2005) also points out, that it is important to change the agenda of the process along the way from selling to buying, as the point is to bring the candidate in to invest into the system

to have his own outlet as a member of the chain. To support the idea or dream of a candidates' pursuit to become a franchisee, the franchisor must provide information on the opportunity to the franchisee. Laakso (2005) suggest, that the stance of selling is smart to turn to a stance of buying in the early phases of recruiting. Buying, in this context means that, now the candidate is in the position of convincing the franchisor that he possesses the capability, the motivation and meets the requirements to become members of the chain. (Laakso 2005; 242-243)

The recruitment process needs to be informed and explained to the candidates, so that they know how it advances and what do information they need to provide and by when. Candidates must also be informed of the decisions they need to make, by when they need to be made and what is the duration of the whole process. It is common that these matters are left to hang about and no-one is directly pointed out to manage them. Laakso (2005) states that the worst case is, when candidates do not know if they should make initiatives and do something or just wait for the franchisor to make contact. Best candidates often take initiative but are also prone to detach from the process if the franchisor is not systematically taking the process forward. Management of the chain must have their own staff members that are responsible for the recruiting process and it is recommended to involve other parties, such as regional managers, consultants and other decision-makers, into the process. Laakso (2005) emphasizes the importance of having someone within the company as responsible for the results of new franchisee recruiting process and to manage the process. (Laakso 2005; 243)

On average, the recruiting process takes 3-6 months. Operations need to be allocated with necessary recourses and time. Both parties need time and information to process everything to be certain on their decision. Candidates are often being recruited while in the middle of their own working-life, which also need to be accounted for in the schedule of the recruitment process. Candidates undergo a process of starting up a new business: detaching from previous employment, training, applying financing, finding a location for an outlet, recruiting staff, ordering machines and hardware and so on, after the signing of the franchising contract. (Laakso 2005; 243-244)

Things to consider in the recruiting process:

What information is handed out and in which phase?

At which phase an application form is handed out?

How forms are processed?

When and on what grounds candidates are called in for interview?

How many interviews, what issues/subjects do they cover and who carries them out?

Is, at any point, a personality- or applicability tests applied?

Who makes selections, and at which point?

Are intentional agreements drawn out or is a full contract offered when a candidate proceeds to the phase of training?

In what time constraint the process must be completed?

(Laakso 2005; 244)

Ethical code of conduct requires the information handed out to candidates is accurate and does not mislead in any way. Therefore, materials require special attention and they cannot make any promises for the future of the business or certain success. If calculations of sales of outlets or financial statements are presented, they must be based on factual numbers and that they are directional figures of economic performance, rather than certain turnouts. It is up to candidate or franchisee to produce their own financial projections. Numbers are usually based on averages of the chain or based on single outlets. Chain averages are often presented in the general material, handed out in the early phases of the recruitment process and single outlet numbers are presented in bilateral negotiations of further phases of the process and are classified information. It is in the interest of both parties that the franchisee ensures that the information passed on, is understood correctly and understands the magnitude of the decision. It is also unlikely, that the candidate can handle all of the information on his own, so Laakso (2005) recommends revising matters and ask for a written verification, that the candidate has understood everything in the matter, that there is to understand. (Laakso 2005; 244-245)

To sum up the details of new franchisee recruitment:

What is an optimal franchisee for your chain – defining the franchisee profile?

Where do you find potential franchisees (individuals/businesses)?

How do you generate attractiveness for potential franchisees?

What do you offer to franchisees – what does the franchising package consist of?

What kind of materials you need for recruiting?

How does your recruiting process advance?

How do you select the right franchisee?

(Laakso 2005; 245)

### 3. METHODS

This chapter will explain the selected methods, conduction of the study, data gathering and questionnaire forms, methods of analyzing, reliability and validity of the study. This research study is executed with quantitative methodology and the open comments are analyzed with qualitative methodology. The study is executed with a quantitative survey questionnaire directed to the members of the Finnish franchising association (Suomen Franchising Yhdistys) and more precisely the system managers (franchisors) and the entrepreneurs (franchisees). Analysis of the collected data is carried out with Microsoft Excel.

#### 3.1. Methodology of the literature review and hypothesis formation

Literature review is produced to serve as a foundation for the research study. It is written by focusing on the literature on the subject at hand and based on scientific journals and studies on the field of science. The literature review explains how the field is studied before and if and how those studies are related to the study at hand. The goal is to introduce the central views, methodological solutions, results and the strongest influencers of the field of study. Literature review can be used for theory building and may serve the function of producing hypothesis (Baumeister and Leary 1997). (Hirsjärvi, Remer and Sajavaara 1996: 111-112)

Literature review of this study goes through and explains in further detail what is franchising and why companies choose it entirely or partly as their mode of operation. Following that, the theoretical investigation focuses on the formulating of the desired new franchisee profile and the actions of marketing and selling to recruit new franchisees to a franchising system.

The focus of this study is to find out what attributes and resources franchisors look for when recruiting new franchisees and to what extent those attributes and resources are met in the pool of existing franchisees and which channels of marketing and sales are used to reach new potential franchisees and which channels are followed and read by the existing franchisees? This research question leads to four hypothesis that are based on the literature review of chapter 2:

Hypothesis 1: Franchisors look for similar qualities and assets in new franchisees.

Hypothesis 2: Franchisors have successfully attained the profile of those qualities and assets in their existing franchisees.

Hypothesis 3: Franchisors operating in the Finnish market have expanded their marketing channels to digital platforms in addition to the traditional channels of conventions and printed media.

Hypothesis 4: Franchisors are effectively reaching franchisees with their marketing efforts of franchising rights.

### 3.2. Methodology of the research study

Empirical section of the study is executed with a quantitative method. This method is chosen, because it is the most suitable to test the hypothesis. Quantitative approach assumes that the measurable factors are similar in quality but differing in quantity. Hirsjärvi, Remes & Sajavaara (2009) state that central to quantitative method are the conclusions of previous researches, prevailing theories, suggested hypothesis and definitions of concepts. (Hirsjärvi, Remes & Sajavaara 2009: 139-140)

Quantitative survey or questionnaire is selected as the method of conducting the research study. The method is known as a survey study and central to this method and the survey, is the collection of data with means of a questionnaire, interviews or observation from a collective of a focus group. (Hirsjärvi, Remes ja Sajavaara 2009: 193)

Hirsjärvi, Remes and Sajavaara (2009) mention that one of the strengths of a quantitative survey method is that, it enables the collection of large quantities of data from a large number of individuals, while serving the researcher in terms of time and legwork, for its efficiency in collection of the data. If the form, that the data is collected with, is well designed, it also provides a good access to processing of the data. Tools for analytics and reporting designed for quantitative method are highly developed, which also assists researchers in their studies. This study has the maximum potential of around three thousand answerers, which is why the quantitative approach is selected. (Hirsjärvi et. al. 2009: 195)

Weaknesses of quantitative survey are, according to Hirsjärvi et. al. (2009), that results produced with a quantitative survey may be considered as shallow and theoretically modest. Other weaknesses mention by the researchers are the inability to verify that the answerers have taken their questionnaire seriously, it is not clear whether the questions are successfully designed in the point of view of the answerer, it is uncertain to what extent the answerers are familiar with the subject at hand, designing a quality survey form is time consuming and requires skill and knowledge, loss and the percentage of not getting answers may grow greatly. (Hirsjärvi et. al. 2009: 195)

Hirsjärvi et. al. (2009) state that with a quantitative questionnaire, the number of answerers can be very low in contrast to the total potential of the focus group, but also, that special groups, for instance professional experts, often produce greater answerer rates, since they have a professional interest towards the topic of the study (Hirsjärvi et. al. 2009: 196).

### 3.3. Gathering of the data and collection methods

Basic group of this study is selected as the network of franchising systems and franchisee-entrepreneurs that are full or candidate members of the Finnish Franchising Association (SFY). The purpose is to investigate the recruiting process and the channels of sales and marketing and since franchising companies are companies that are actively pursuing

growth and presence in the current and new markets through multiplying its business format, it would be in line with their interests to update their knowledge on who and where to pursue when looking for new members to expand the chain. Study group is limited to franchising chains that operate in the Finnish market. All chains are accepted as eligible to answer to the questionnaire survey. The number of chains was 82 in total and they formed the first phase of the research study. These chains were sent an e-mail explaining the philosophy of the survey (attachment 1.) and the questions for the franchisors (attachment 2.) and to share forward, the questionnaire form for the franchisees (attachment 3.).

The final group was 12 chains in total. Data was gathered in request of three different occasions, as seen in the Table 2. The answers from the chain management were accumulated as following: the first request on the 8<sup>th</sup> of June 2018, the second request on the 21<sup>st</sup> of June 2018 and the third request on the 9<sup>th</sup> of August 2018. Franchisors were motivated to answer to the survey by granting them team participations (5 participants) to the researchers partly owned and managed, after work running festival series called RunFest and organized in Turku, Tampere, Helsinki and Oulu in 2018.

The first batch was all of SFY's actual and candidate members, a total of 82 individual chains. All 82 members were approached via e-mail in the first batch of 82 by Juha Vastamäki, the President of the Finnish franchising association (SFY). The second and third batch was sent out by the student who carried out this survey, Jaakko Karrus. Second batch, at the 21<sup>st</sup> of June, was the total of 71 (82 minus the 9 chains already participated in the survey) chains or contacts. Third batch, at the 9<sup>th</sup> of August, was to 70 contacts. These contacts were of the person in charge of recruitment operations of their chains.

**Table 2.** Gathering of the data.

<b>Requests to participate</b>	<b>Chain management</b>	<b>Generated answers</b>
1 <sup>st</sup> batch	8.6.2018	9
2 <sup>nd</sup> batch	21.6.2018	1
3 <sup>rd</sup> batch	9.8.2018	3
Participation	In total	13
Rejected answers		1
Final number of answers	In total	12
<b>Participation</b>	<b>Franchisees</b>	
After 1 <sup>st</sup> batch	Sent by the franchisor	19
After 2 <sup>nd</sup> batch	Sent by the franchisor	8
After 3 <sup>rd</sup> batch	Sent by the franchisor	7
Participation	In total	34
Rejected answers		0
Final number of answers	In total	46

The section of the survey directed to franchisees (attachment 3.) was sent with the franchisors participation request (attachment 1.). The researchers estimate was, that firstly, the chains might be unwilling to share their franchisors e-mail contacts and secondly, the franchisees are more likely to open, read and act on a request coming from their chain management, rather than from an unknown e-mail address with no affiliation to their chain. The accumulated franchisee contacts were 34 in total.

#### 3.4.1. Dataset

Dataset of the survey is collected with online forms from franchisors and franchisees. The positioning of the questions is aimed to address the answerer, so franchisors have a designated form to address system managers and franchisees have a designated form to address chain entrepreneurs.

**Table 3.** Dataset: Basic information about the chain.

Franchisors	e-mail	Year of starting to franchise	Industry	
Franchisees	e-mail	Year of starting to franchise	Industry	Location of outlet/outlets

**Table 4.** Dataset: Basic information about the profile.

Franchisors	Chain is looking for private persons or companies to operate as franchisees	Franchisees are preferably men/women/does not matter	Preferred age(s)	Requires professional qualifications	
Franchisees	I operate as an entrepreneur/I represent a company	I am a man / a woman / do not wish	My age	Required professional qualifications	My employment status when starting to franchise

The questions about the desired franchisee profile is a collective formed based on the literature review of this study. It is formed under the collection of desired qualities and assets according to Dorethy (2009), Laakso (1998 & 2005) and Ramirez-Hurtado et al. (2011). Assessed in Osgood scale 0 to 6.

**Table 5.** Dataset: Qualities and assets of profile.

Management Capability	0 1 2 3 4 5 6
Capacity for Human Relations	0 1 2 3 4 5 6
Entrepreneurship	0 1 2 3 4 5 6
Wish for success	0 1 2 3 4 5 6
Willingness to work hard	0 1 2 3 4 5 6
Loyalty to Franchisor	0 1 2 3 4 5 6
Perseverance	0 1 2 3 4 5 6
Personal values	0 1 2 3 4 5 6
Candidates understanding of the concept	0 1 2 3 4 5 6
Personal chemistry	0 1 2 3 4 5 6
Financial level (assuming the initial investments are covered)	0 1 2 3 4 5 6
Candidate is employed at the beginning of recruitment (only in franchisors form)	0 1 2 3 4 5 6
Prior experience from the same industry	0 1 2 3 4 5 6
Local experience and networks	0 1 2 3 4 5 6

Sales and Marketing channels: As Laakso (2005) stated, in the franchisee recruitment process the distribution of information about the franchised chain goes deeper after some first assessments among candidates to figure out which ones are “serious” applicants. Therefore, the marketing channels section of the questionnaire focuses on the first contacts, for which the first level of information packages about the chain are designed. Further information is distributed, according to Laakso, for leads or candidates already entered into the first phases of the recruitment process, not for generic new franchisee marketing of a certain chain. The following dataset is for both franchisors and franchisees:

**Table 6.** Dataset: Marketing channels used/learned from.

Channel:	Conventions	Print media	Internet and social media
	Conventions of our own industry	Local publications	Direct e-mail
	Conventions of franchising industry	Job advertisements	Chain's website
	Congresses of own industry	Publications of our own industry	LinkedIn
	Other: open field	Franchising industry-based publications	Facebook
		Other: open field	Instagram
			Twitter
			YouTube
			Online job advertisements
			Search engine optimization
			Franchising industry's websites
			Other: open field

The final part of the dataset is an Osgood scale from 0 to 6 that franchisors estimate the importance of each channel and franchisees their current activity on each channel:

**Table 7.** Dataset: Channel importance and channel activity.

Conventions and tradeshows	Print publications	Internet publications	Social media
0 - 6	0 - 6	0 - 6	0 - 6

### 3.4. Data analysis methods

Answers of the e-survey were analyzed with quantitative methods. Answers were migrated from Google forms to Microsoft Excel for analysis and further analyzed with the same software. Hypotheses were tested by statistical means of variances and standard deviations to detect consistencies and inconsistencies among the answers. Percentages were also calculated to estimate the level of engagement in different marketing channels and the effectiveness of those channels. Excel was also used to produce diagrams and scatter plots to illustrate those averages between the two main groups and some variances from within those groups.

### 3.5. Validity and reliability

In every study it is important to consider the reliability and validity of the study. Reliability and validity of studies may vary, even though it is generally being tried to avoid. In this context, reliability means the conduction of the study to produce non-random results. It also refers to the repeatability of the survey, which means that if the survey was repeated with same measures to the same phenomenon, how similar or different results received would be. A study with high reliability produces non-random answers, when repeated. Random mistakes or mistakes made by the researcher can lower the study's reliability. Validity refers to the capability to measure precisely that, what was

intended to be measured. To obtain a high level of validity, the chosen survey positioning should generate good answers for the research question at hand. (Hirsjärvi et. al 2009; 231-233)

In this study, the level of reliability is increased limiting the basic group to franchisors and franchisees who operate in the Finnish market. Validity is increased by forming the questionnaire form by a literature review that is based on many academic studies in the context of franchisee profile. The level of validity is high due to previous statement and the fact that the research question was positioned to contrast the views of franchisors and franchisees and to serve that to the highest degree, the survey presented to both parties was only altered to address both parties accordingly, without altering the positioning of any of the questions.

## 4. RESULTS

The data of this study was collected during the summer of 2018 between the beginning of June and the end of August. The study was directed to members and candidate members of the Finnish Franchising association Suomen Franchising-yhdistys. Results will be reported in the order as they appeared in the questionnaire forms. The franchisors questionnaire is sectioned to questions about the chain, the desired entrepreneur (employment status, age and sex), personal qualities and assets, the used marketing channels and the estimate importance of different marketing channels. Finally, the franchisors representatives had an open field to leave comments and thoughts on the subject at hand.

The franchisees questionnaire followed identical chronology and inquired the same information about the chain in the beginning for later analysis purposes of this study. The positioning of the questions was modified to precisely address the entrepreneur about their years of operating as franchisee, location(s), gender, age, professional and employment background, personal strengths and assets, channels they discovered franchising from and the rate of how much they follow each channel in their daily lives. Franchisees questionnaire also had an open field at the end of the questionnaire to express their feedback or comment the questionnaire.

The questionnaire received 11 answers of behalf of the chain management from 8 individual chains. The franchisees questionnaire gathered 34 answers.

In this study, the marketing channels used and the marketing channels performance (reported impressions) are valuated and represented as percentages. The personal qualities, daily channel following, and estimated channel importance were measured with an Osgood scale from 0 to 6.

The Osgood scale, according to Heikkilä (2014) is a 5 to 7 step scale that describes attitudes and is often used to measure a products or a company's image, with opposite adjectives in the other ends of the scale.

0 = The weakest attribute or recourse

1 = One of the weakest attributes or recourses

2 = A fairly weak attribute or resource

3 = An average attribute or recourse of mine

4 = Fairly strong attribute or recourse

5 = One of the strongest attributes

6 = The strongest attribute or resource

It is set to offer symmetrical level of agreement with the average level of agreement on the middle. The purpose of this symmetry is to offer more fluent possibilities for visual representation of the answers and the creation of averages on each attribute. Positive codes are used to simplify the processing of the data and the value of 3 is symmetrically in the average of all Osgood scales of this study.

The Osgood scale was also used to measure how much actual franchisees follow different media platforms in their daily lives, with 0 = not at all on the lowest level activity end and 6 = very actively on the highest end of level of activity.

#### 4.1. Franchisors answers

The franchisors questionnaire has three segments: basic information, desired new franchisee profile and marketing channels used to recruit new franchisees. These design of and the content of the segments are more carefully explained in the following chapters.

#### 4.1.1. Basic information

The first three questions are designed to provide the basic information on the chain: starting year of franchising, industry and home county of the chain. This batch of questions has two purposes: to offer the possibility of matching franchisors answers to franchisees answers and to analyze and compare answers by setting one of the three questions (starting year of franchising, industry and home county of the chain) under scrutiny on if and how they factor into the rest of the answers.

#### 4.1.2. Desired new franchisee profile

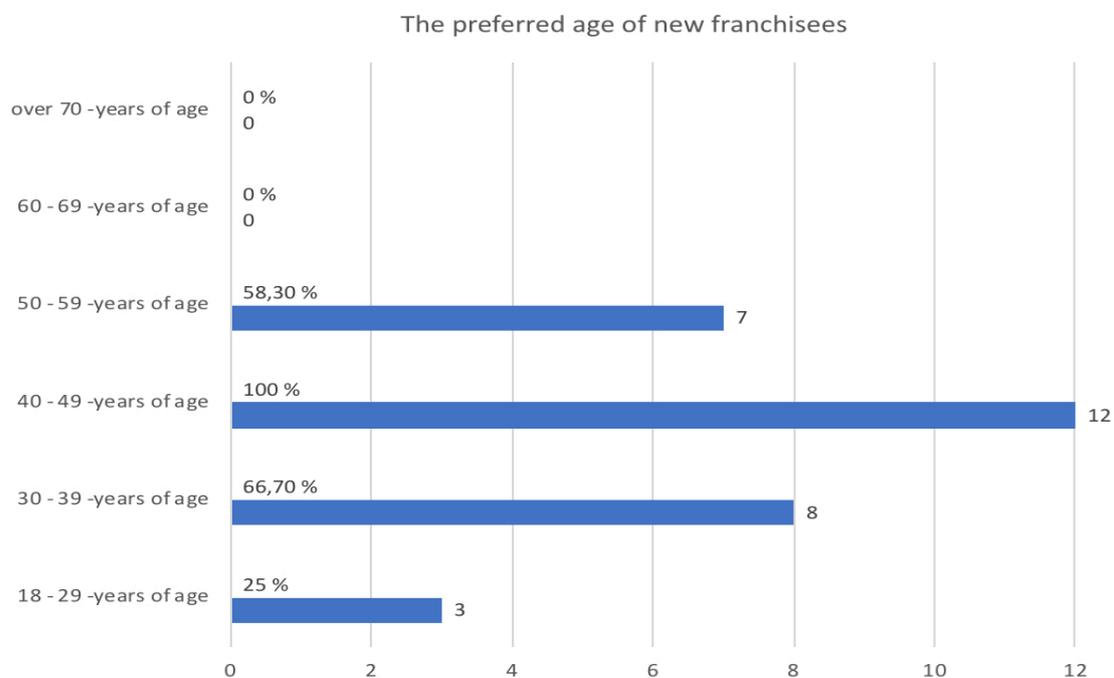
Questions of this segment are structured based on first franchising literature and second on definitive elements that can clarify the profile and be exploited in further targeting of marketing.

This segment begins with Laakso's (2005) notions that some franchisees look for companies as their franchisees and some franchise systems require formal educational background from the franchisee to operate their businesses. If the chain is looking for companies as their franchisee rather than entrepreneurs, their take on rest of the questions might not be completely comparable to the ones that look for individual entrepreneurs to take over the local operation as a franchisee. Laakso (2005) also points out that some industries require formal education or qualifications to operate a business.

A total of 58,3% of franchisors required some form of formal education or professional qualification to operate in their industry. The chains that required formal education or professional qualification operated in healthcare, restaurant and fitness center -industries. Some of the chains in this survey have mandated professional requirements and health passes to operate their own businesses and for example in fitness center entrepreneurs it might be wished upon so that the chain offers a regulated quality of fitness related services in their franchisee units.

Questions on preferred age and sex of the new franchisee were inquired for further analysis purposes and a more refined profile formation purposes.

None of the answering chains was seeking exclusively to find companies to overtake their franchisee activities. 7 out of 12 was seeking private entrepreneurs and 5 out of 12 was looking for both companies and private entrepreneurs. In 7 answers out of 12 genders of the new franchisee did not matter and 3 out of 12 was looking to recruit women and 1 to recruit men, preferably. A question of the desired age of new franchisee started to rule out some demographics from the desired profile:

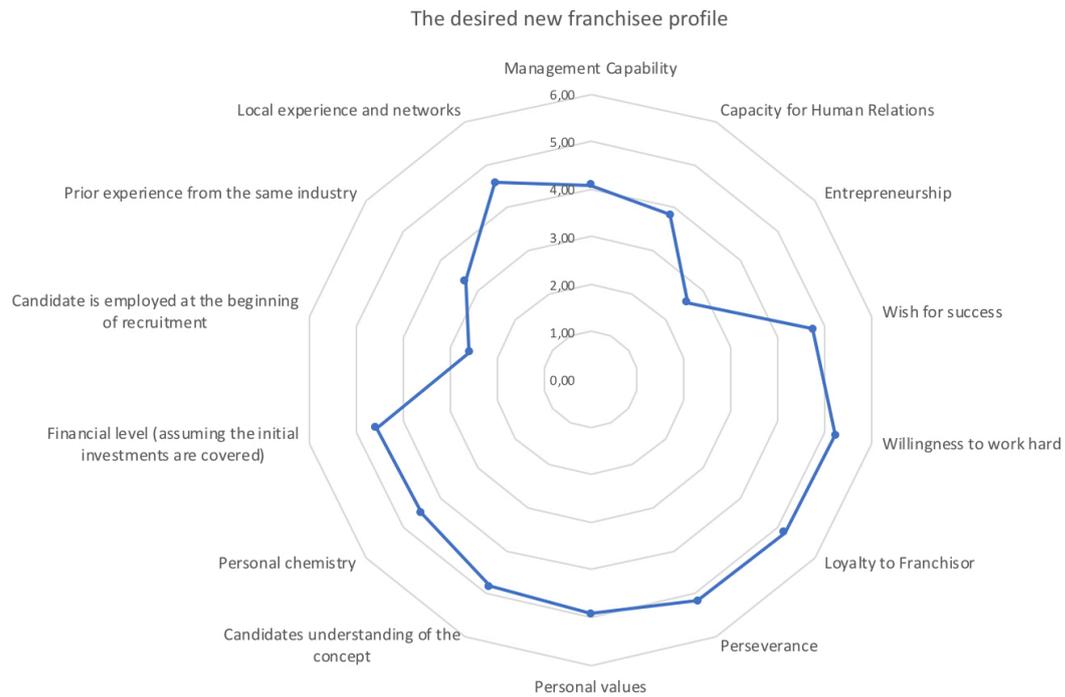


**Figure 1.** The preferred age of new franchisees.

In this question the study group was granted the possibility to choose multiple answers. It is worth pointing out, that none of the answers considered ages beyond 60 as a suitable franchisee. The industries that was looking to recruit franchisees from the youngest group - from 18 to 29 years of age – were chains in industries such as hairdressing, cleaning and accommodation.

The questions in the Osgood scale (0-6) that measure the desired attributes are based on the researchers Ramirez-Hurtado et al. (2011) study of franchisee profiles that franchisees prefer by first with an inquiry to franchising experts with 39 answerers to create a pool of desirable attributes and selected ten most marked attributes that they then ranked by desirability among Spanish franchising system's managers, from whom they received 181 individual usable answers. These attributes made sense and the methodology that Ramirez-Hurtado et al. used to formulate these attributes was sound and also offers some comparison to their findings from the Spanish franchising sector. Ramirez-Hurtado et al. (2011) collection of most desired attributes by franchising experts were: management capacity, capacity for human resources, entrepreneurship, wish for success, willingness to work hard, previous experience in a related business, loyalty towards franchisor, financial level and perseverance. Dorethy's (2009) argument of the importance of local experience and networks was also added to the questionnaire, especially since Laakso (2005) backs this statement by raising it as an important asset in the real estate business. The question of employment status was also added, because franchising is considered as a path to self-employment, but no studies demonstrate whether it does or does not matter to the chain if the candidate is employed at the time of the recruitment.

Osgood scale questions (0-6) provide more insight on question that require some more in-depth investigative work in terms of pinning down and targeting these qualities in marketing efforts. Some may require qualitative interviews and tests to discover in a candidate.



**Figure 2.** The desired new franchisee profile.

Franchisor's top three qualities to look for in new franchisees are willingness to work hard, loyalty to franchisor and perseverance. These findings are for the most part in line with Ramirez-Hurtado et al. (2011) findings, which discovered that Spanish franchise chains are appreciate loyalty to franchisor, management capability and willingness to work hard as their top three qualities to look for in new franchisees. In this study, management capability received an average level of appreciation and perseverance, that received an average level of appreciation in Ramirez-Hurtado et al. (2011) study, was the third most appreciated quality.

**Table 8.** Consistency of the profile reported by franchisors.

	Consistently relevant to franchisors		Yes/No
	Variance (s <sup>2</sup> )	Standard deviation (s)	
Management Capability	1,356	1,165	Yes
Capacity for Human Relations	2,152	1,467	No
Entrepreneurship	1,902	1,379	No
Wish for success	1,114	1,055	Yes
Willingness to work hard	0,386	0,622	Yes
Loyalty to Franchisor	0,152	0,389	Yes
Perseverance	0,333	0,577	Yes
Personal values	0,629	0,793	Yes
Candidates understanding of the concept	0,697	0,835	Yes
Personal chemistry	0,818	0,905	Yes
Financial level (assuming the initial investments are covered)	0,992	0,996	Yes
Prior experience from the same industry	4,242	2,060	No
Candidate is employed at the beginning of the recruitment	2,992	1,730	No
Local experience and networks	0,992	0,996	Yes

Franchisors answers are statistically quite consistent in every other quality or asset measured in the desired profile except on prior experience from the same industry, candidate's employment status at the time of the recruitment and capacity for human relations. Capacity for human relations naturally vary with level of personnel structure of the specific industry that the chain operates in.

**Hypothesis 1. Franchisors look for similar qualities and assets in new franchisees** is rejected, since the demand for some qualities and assets varies extensively between the study group of this survey. Prior experience in the same industry, employment status, capacity for human relations and entrepreneurship are not consistently important or unimportant qualities of new franchisee profile, but other personal qualities and assets of this survey are quite consistently desired by franchisors.

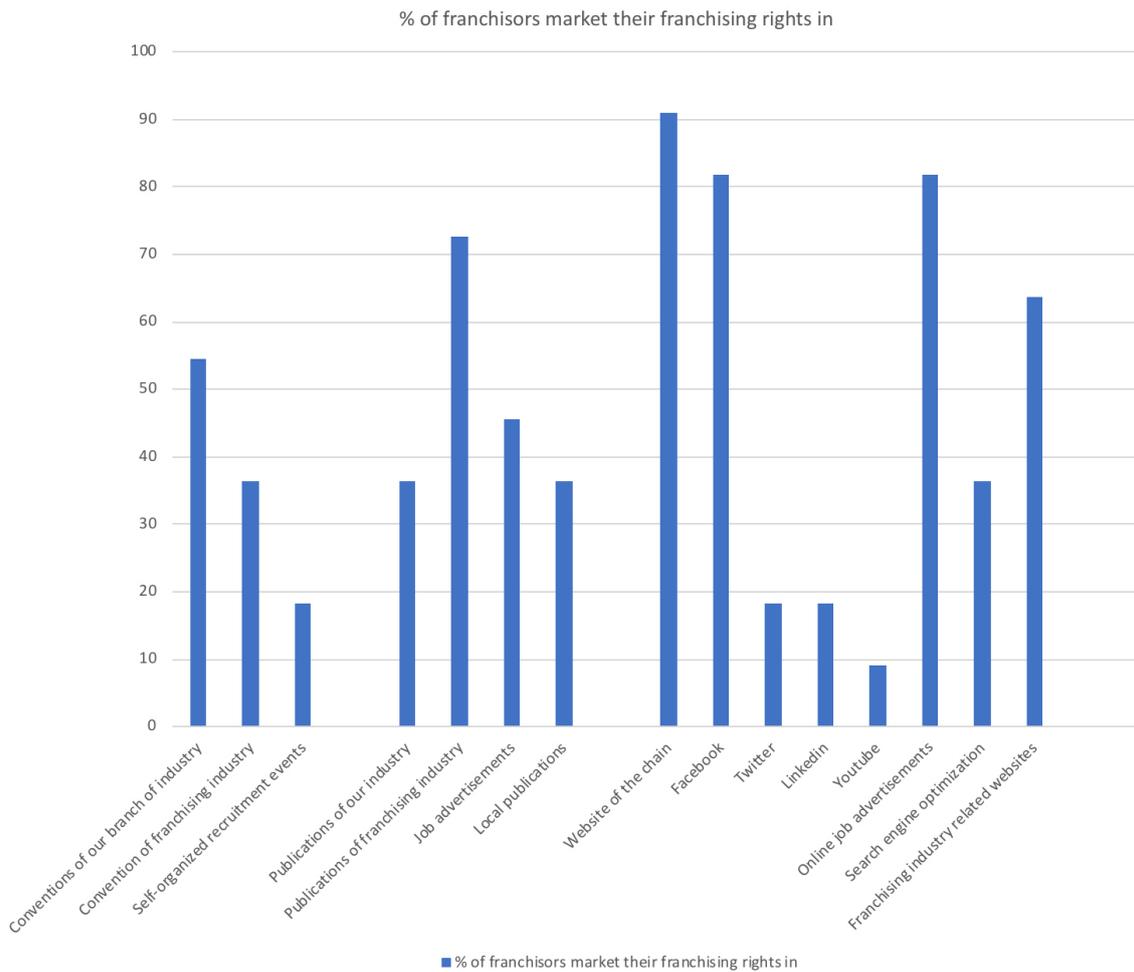
#### 4.1.3. Marketing channels

The marketing channels that are used were measured in segments of conventions and congresses, print media, internet and social media platforms. The traditional marketing channels conventions and print media (including printed job advertisements) were selected based on Laakso's (2005) statements of how franchising rights have and are being marketed in the Finnish market. The addition of internet-based channels and social media platforms were also added, because most chains advertise the opportunity to start up as a franchisee in their website and other franchising related sites. Social media was included because social media platforms are widely used around the globe and lately harnessed for marketing purposes with extensive tools for focus group formation.

One of the chains reported as "full" in the Finnish market and therefore reduced from active pursuers of new franchisees in the channel analysis. Their lack of marketing activities is reduced from the results of the franchisors group.

**Table 9.** The marketing channels franchisors use.

<b>Conventions and congresses</b>	<b>Total</b>	<b>%</b>
Conventions of our branch of industry	6	54,5%
Convention of franchising industry	4	36,4
Self-organized recruitment events	2	18,2
<b>Print media</b>		
Publications of our industry	4	36,4
Publications of franchising industry	8	72,7
Job advertisements	5	45,5
Local publications	4	36,4
<b>The internet and social media</b>		
Website of the chain	10	90,9
Facebook	9	81,8
Twitter	2	18,2
LinkedIn	2	18,2
YouTube	1	9,1
Online job advertisements	9	81,8
Search engine optimization	4	36,4
Franchising industry related websites	7	63,6
<b>Group franchisors</b>	<b>11</b>	<b>100%</b>



**Figure 3.** The percentage franchisors reported to market their franchising rights in each channel.

Conventions of a chain's own branch of industry are still considered quite popular. More than half of the answerers have marketing activities in their industry's conventions. Conventions were consistently popular with the answers from caretaking industry with a rate of 100%. Conventions of franchising industry are used by some, but not quite as popular. Two of the answerers organize their own events to recruit new candidates. Their industries are in fitness centers and services and in the cleaning industry. The latter went to greater extent to elaborate that their own events take place in public employment and business services center and in educational facilities of their field of business.

Print media averaged quite popular with the publications of franchising industry as the most used in print advertisement. This space is assumedly less expensive than local papers for instance, since its competitors come from a niche industry of franchising. Job advertisements perform moderately well in the print category too.

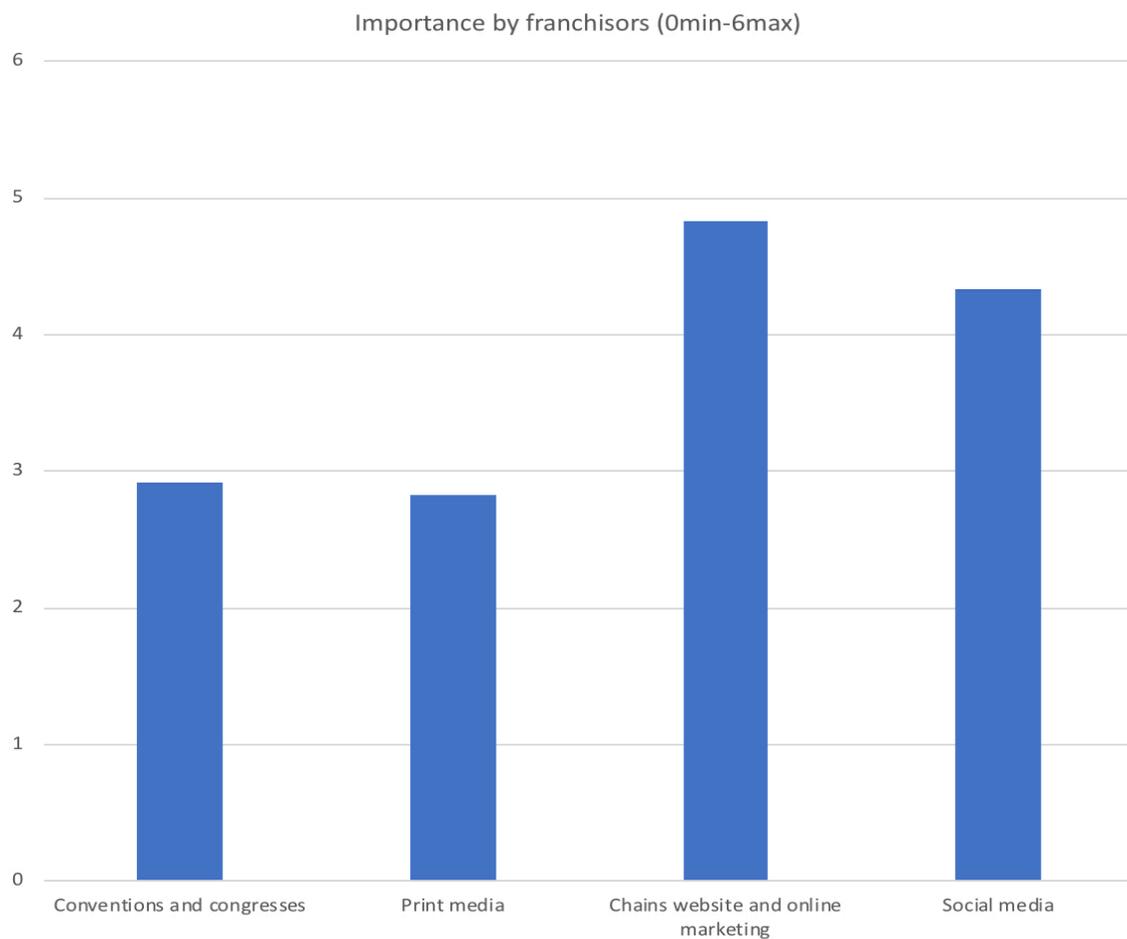
Answers on internet and social media reveal that Facebook is by far the most popular social media platform for marketing franchising rights. Twitter, LinkedIn and YouTube are rather uncommonly used for this purpose. Nearly every chain markets chain's membership in their websites and the one that did not answer to do so, answered to do directed marketing in Facebook. After some investigation it turned out, that this particular chain also has basic franchising information and a contact request about franchising one can leave in their chains website. Online job adverts and franchising related chains are also well used channels by the chains of this study.

The general trend in this study was in job advertisements: this angle of recruitment tested well in online-based channels, print media channels and was even used in self organized recruitment events. Franchising is clearly marketed as a path to self-employment and perhaps some of these chains that recognize job advertisements to convert well, could experiment with keyword advertisement and search engine optimization of their home website. According to the findings of this study, they are likely to advert the opportunity to join the chain in their website already, so it would make sense to generate more traffic to the chain's websites among the search words associated with work seekers. Franchising industry related publications in print and in the internet are actively used for marketing of franchising rights.

Franchisors were also asked to assess how important they think each channel is in scale from 0 not important at all to 6 very important.

**Table 10.** Channels importance weighted by franchisors.

<b>Channel</b>	Conventions and congresses	Print media	Chains website and online marketing	Social media
<b>Importance by franchisors (0min-6max)</b>	2,92	2,83	4,83	4,33

**Figure 4.** Franchisors estimate on importance of each channel.

The franchisees reported higher values of estimated importance on social media, chains website and digital marketing over the traditional channels conventions and print media. This offers some speculative insight on what the emphasis on the future weightings of marketing activities of franchising rights in Finland are.

**Hypothesis 3: Franchisors operating in the Finnish market have expanded their marketing channels to digital platforms in addition to the traditional channels of conventions and printed media** is confirmed. Chain managers reported to actively engage in marketing in digital platforms and estimate the importance of digital channels higher than the traditional channels.

#### 4.1.4. Open field

The open field section at the end to leave comments and suggestions only received two answers by the franchisors. The first one explained that they actually have saturated the Finnish market so that geographical expansion is no longer possible and therefore their recruitment activities in Finland are on hold, because new spots for franchisees are opening very seldom. This must be taken into consideration that one of the answerers is currently not actively seeking new entrepreneurs from outside the chain, from which it is reasonable to draw the conclusion that they are passive in terms of marketing their franchising rights in the Finnish market.

The other answer was more marketing channel oriented: it explained that marketing activities in Facebook are not enough anymore and one must go to Instagram for instance and advertising in public transportation is under consideration. The chain is visible in TV adverts and Radio adverts have been ran in the past. The answer states, that advertising in magazines or newspapers does not “bite”.

#### 4.2. Franchisees answers

The franchisors questionnaire has three segments: basic information, desired new franchisee profile and marketing channels used to recruit new franchisees. These design of and the content of the segments are more carefully explained in the following chapters.

#### 4.2.1. Basic information

Precisely like in the franchisors questionnaire, the first three questions are designed to provide the basic information on the chain: starting year of franchising, industry and home county of the chain. This batch of questions has two purposes: to offer the possibility of matching franchisors answers to franchisees answers and to analyze and compare answers by setting one of the three questions (starting year of franchising, industry and home county of the chain) under scrutiny on if and how they factor into the rest of the answers.

#### 4.2.2. Profile of the real-world franchisees

Employment status at the time of the recruitment was inquired in a different manner than it was in the franchisors questionnaire. This is due to the fact that franchisors used the same Osgood scale (0 not important to 6 most important) to assess whether they consider it important that the candidate is employed at the beginning of the recruitment process. This could also be speculated to reflect to the assumed financial status and willingness to work hard of the candidate. Those qualities were also highly regarded by the franchisor. However, franchisors rated entrepreneurship and employment status as the least “sought after” qualities (2,58 average on both) out of the 14. The division of employment statuses by the time of the recruitment was:

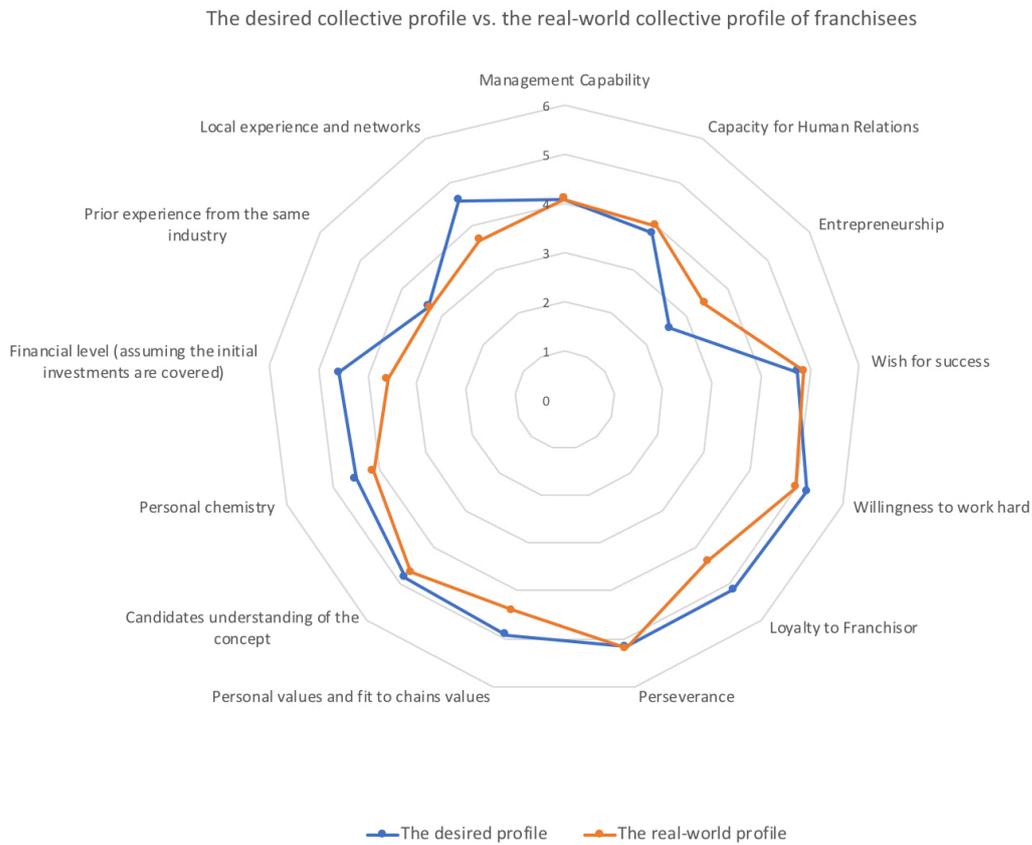
Long-term employment relationship 52,9%

Working as an entrepreneur 29,4%

Temporary employment relationship 8,8%

Seeking for employment 8,8%

In a closer look of the franchisees answers, only one of the fields of industries in this survey report backgrounds in their franchisees that divert from the average distribution of working statuses: in accommodation 4 out of 5 come from a background as an entrepreneur. Other industries in this survey are reported to follow the average described distribution of working status during the time of being recruited into their franchising chains.



**Figure 5.** The desired collective profile and the real-world profile of franchisees.

The overlaying of the two: desired profile and profile that the real-world franchisees had when starting to franchise illustrates some asymmetries between the two collective profiles. Franchisors tend to appreciate few qualities highly, that are not quite met to that extent in the real-world franchisees collective profile. Those qualities and assets are: Financial level, Local experience and networks and Loyalty to franchisor.

Only quality or asset that the real-world franchisees “overqualified” in was Entrepreneurship. Management capability, capacity for human resources, wish for success, willingness to work hard, perseverance, understanding of the franchisors concept, personal chemistry and prior experience from the same industry were surprisingly symmetrically experienced by the franchisees as their strong or weak points, compared to what degree the franchisors weighted these as important qualities.

The greatest inconsistency appeared in the question about franchisees prior experience from the same industry, second most on entrepreneurship and the third most inconsistent answers were on local experience and networks. This makes sense, since the positioning of the question could easily be experienced as none or zero (no prior experience within the industry, no entrepreneurial experience and no local networks), in oppose to estimation of personal perseverance, which hardly will get the lowest level value of zero. To answer the hypothesis whether franchisors have succeeded to obtain the desired qualities and assets in their franchisees the general relevancy of each quality must be assessed as well.

**Table 11.** Desired qualities and assets realized in franchisees.

Consistently relevant to franchisors	Yes / No	Weighting 0 - 6 averages	
		Franchisors	Franchisees
Management Capability	Yes	4,083	4,088
Capacity for Human Relations	No	3,833	4,000
Entrepreneurship	No	2,583	3,441
Wish for success	Yes	4,750	4,882
Willingness to work hard	Yes	5,250	5,000
Loyalty to Franchisor	Yes	5,167	4,382
Perseverance	Yes	5,167	5,206
Personal values	Yes	4,917	4,412
Candidates understanding of the concept	Yes	4,833	4,676
Personal chemistry	Yes	4,500	4,118
Financial level (assuming the initial investments are covered)	Yes	4,583	3,588
Prior experience from the same industry	No	3,333	3,294
Local experience and networks	Yes	4,583	3,676

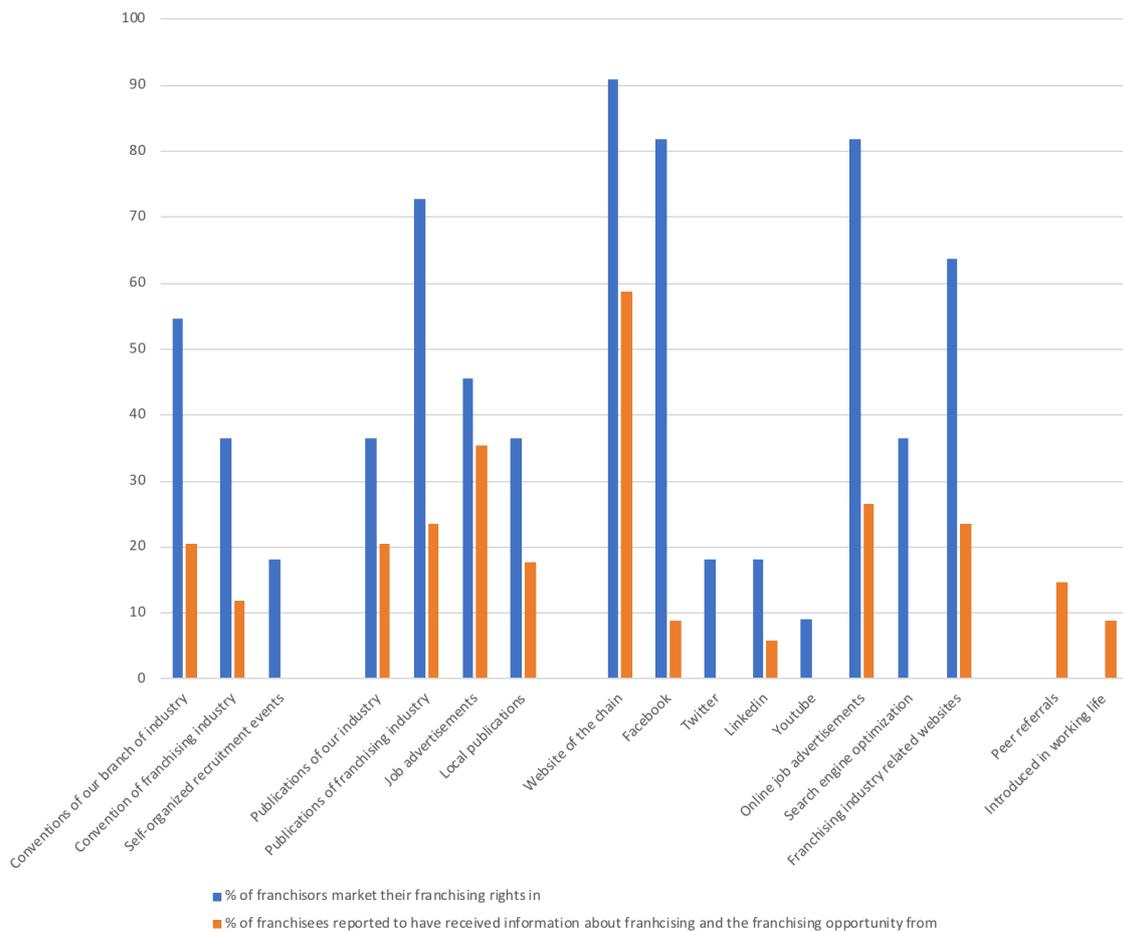
**Hypothesis 2: Franchisors have successfully attained the profile of those qualities and assets in their existing franchisees** is accepted for the most part. There are no dramatic shortcomings, but there exist some lower values on some qualities and assets that franchisors consider quite important. The highest levels of falling short are in financial level, local experience and loyalty to franchisor, which all happen to be consistently important to franchisees.

#### 4.2.3. Marketing channels reported by franchisees

In this section, we will investigate franchisees answers alongside with the already demonstrated franchisors answers on marketing channels of franchising rights. The purpose is to assess the effectiveness of each channel and perhaps find some great, some average and some poor performers among these marketing activities.

**Table 12.** Marketing channels reported by franchisees.

<b>Conventions and congresses</b>	<b>Total</b>	<b>%</b>	<b>Total</b>	<b>%</b>
Conventions of our branch of industry	6	54,5	7	20,6
Convention of franchising industry	4	36,4	4	11,8
Self-organized recruitment events	2	18,2		
<b>Print media</b>				
Publications of our industry	4	36,4	7	20,6
Publications of franchising industry	8	72,7	8	23,5
Job advertisements	5	45,5	12	35,3
Local publications	4	36,4	6	17,7
<b>The internet and social media</b>				
Website of the chain	10	90,9	20	58,8
Facebook	9	81,8	3	8,8
Twitter	2	18,2	0	0
LinkedIn	2	18,2	2	5,9
YouTube	1	9,1	0	0
Online job advertisements	9	81,8	9	26,5
Search engine optimization	4	36,4	-	-
Franchising industry related websites	7	63,6		
<b>Open fields</b>				
Peer referrals	-	-	5	14,7
Introduced in working life	-	-	3	8,8
<b>Groups franchisors and franchisees</b>	<b>11</b>	<b>100%</b>	<b>34</b>	<b>100%</b>



**Figure 6.** Franchisors reported marketing channels and franchisees reported channels of first learning about franchising and the opportunity to franchise.

This pole represents the percentage of how many franchisors market their franchising rights on each channel and from where the franchisees first learned about franchising and the opportunity to join their chains as a franchisee. There are one extra added field of self-organized events, which was reported by a few of chains, but was most likely reported by the franchisees as a “convention of our branch”. There are also the poles “peer referrals” and “introduced in working life”, which are results of company presence and networks, but cannot be put down as active sales or marketing activities.

Over 90% of franchisors of this survey reported to market memberships of their chain in their own websites. Over half of the franchisees reported to have heard or learned more about the opportunity from the chains homesite. Job advertisements, printed and online,

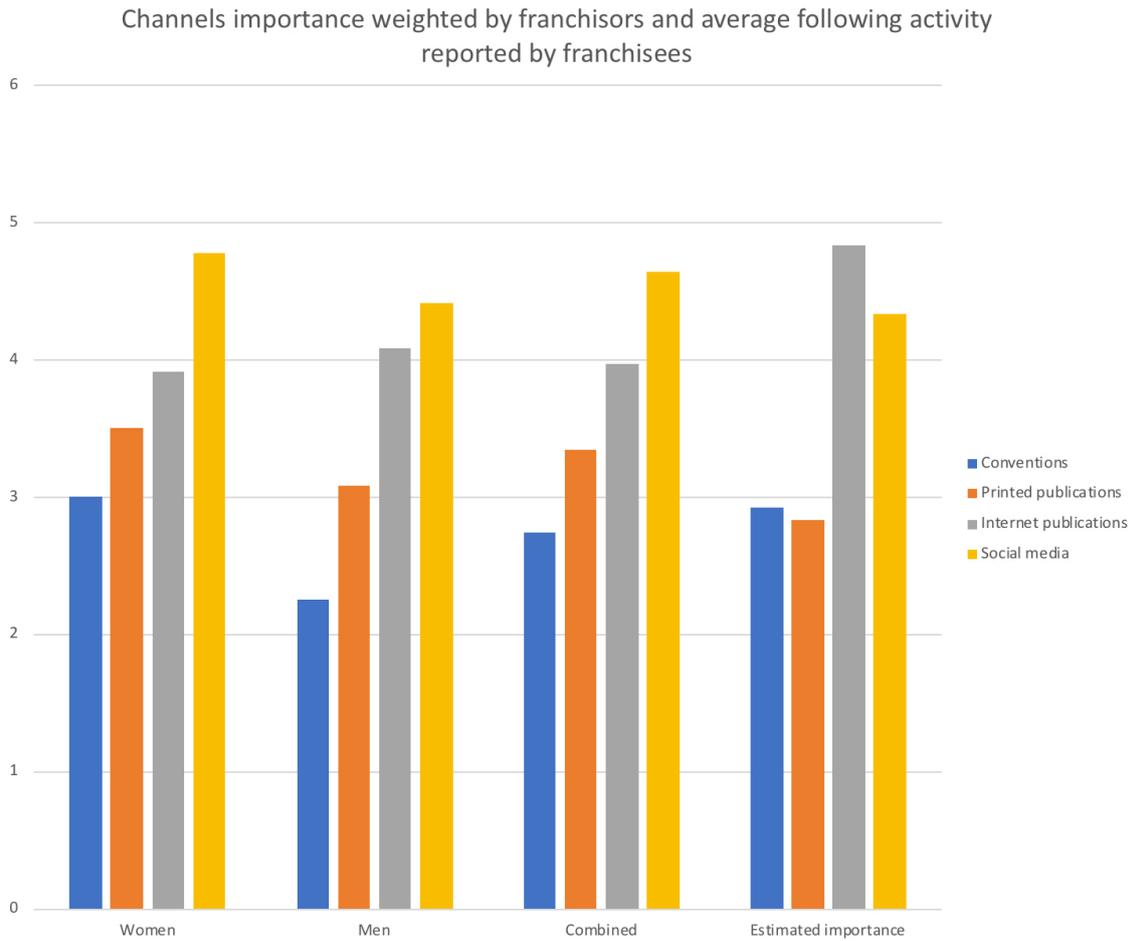
seem to be an effective way to recruit new franchisees. This is especially true with industries that could be associated with a low start up investment. Only one of the reported industries participating in this survey could be associated with relatively higher capital requirement to start up and none of those franchisees reported printed or online job advertisements as their source of learning from franchising and the business opportunity.

Within the data of where the franchisees got to know about the opportunity to become a franchisee and further information on franchising, there were no patterns related to the answerers sex or age. Every age category had fairly evenly dished out combination of channels from which they got into franchising. The only slight peak was in the youngest category, where two thirds of franchisees answered social media platforms LinkedIn and Facebook as one of their internet-based channels of original source of information on franchising and the opportunity to become a franchisee.

The poorest performing channels used by franchisors with zero reports by franchisees to have served as an information source were YouTube and Twitter.

**Table 13.** Franchisors estimated importance and franchisees reported level of activity of each channel.

<b>Channel</b>	Conventions and congresses	Print media	Chains website and online marketing	Social media
<b>Importance by franchisors (0=min-6=max)</b>	2,92	2,83	4,83	4,33
<b>Amount franchisees report to follow a channel (0=never-6=very actively)</b>	2,74	3,35	3,97	4,64
<b>Women</b>	3,0	3,5	3,91	4,78
<b>Men</b>	2,25	3,08	4,08	4,42

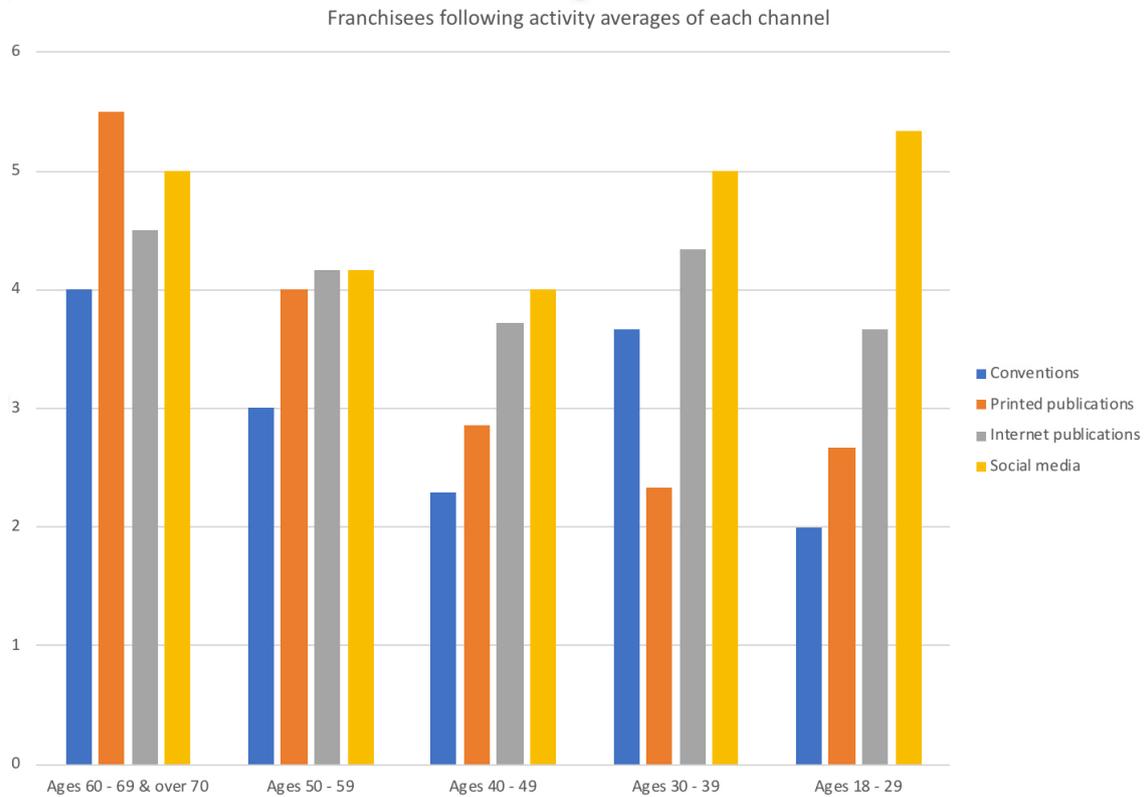


**Figure 7.** Channels importance weighted by franchisors and following activity reported by franchisees.

Naturally, the following of conventions does not occur on daily basis, however, print media does not receive a whole lot greater values from franchisees on daily following. Some small differences appear between the sex of the answerers: women consider their activity greater in all channels, except internet publications, then men consider their activity. The biggest gap exists in the following of a specific industries or franchising - related conventions and events, where women estimate their following activity a 0,75 (in scale from 0 to 6) greater than men do.

Franchisor's estimate averages on the importance of each channel seems to value internet or digital publications over print media. Top 3 reported internet publications by

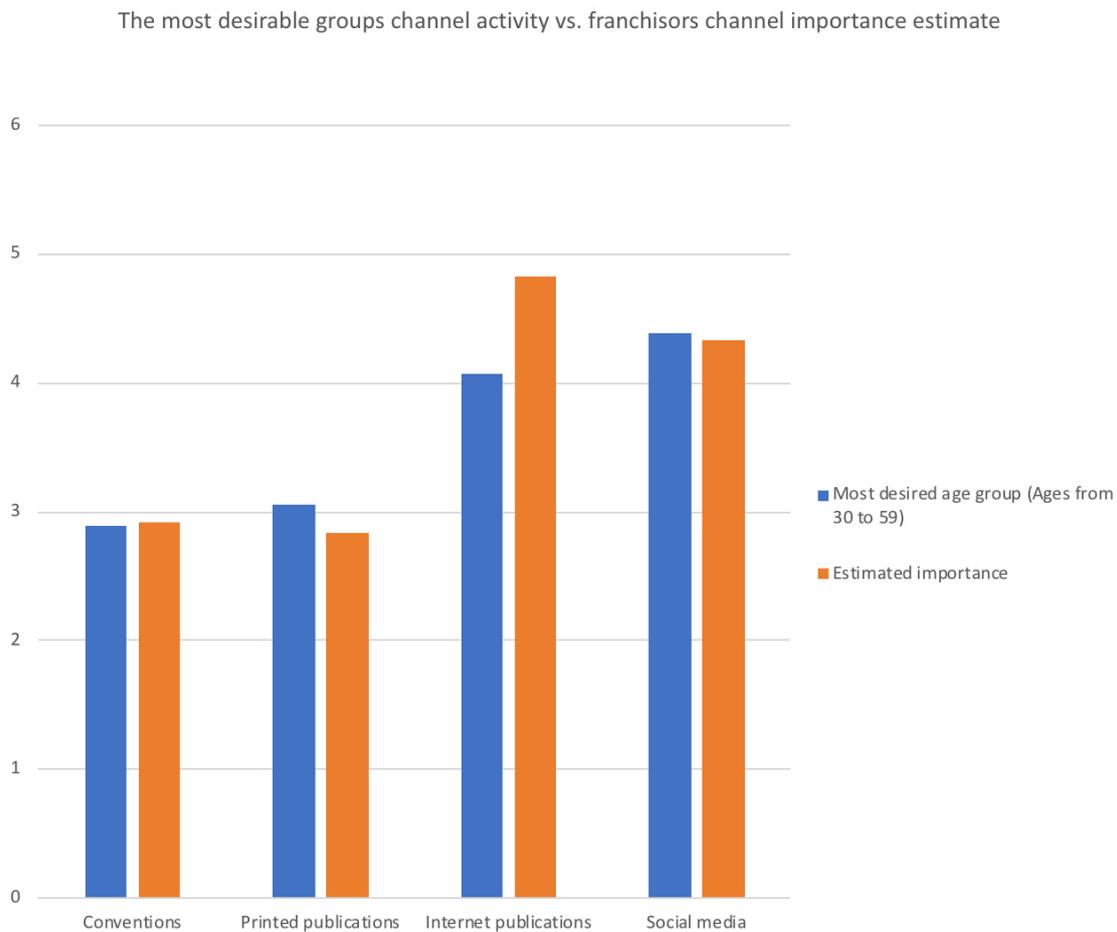
franchisors are the earlier mentioned franchising related websites, job advertisements online and the chains home website.



**Figure 8.** Franchisees following activity averages of each channel in age groups.

The figure above illustrates how actively franchisees report to follow each of the marketing channels measured in this survey. This number represents channel following that is not active searching of work or business opportunities as much as it is a part of daily activities. The idea is to measure variances in channel activity between different age groups. As we can see, there are no significant changes in reported following of each channel. Differences in channel activity among a single age group is in the group of answerers between the ages of 18 to 29. They report the highest average activity on social media, second lowest in internet publications and the lowest on printed publications and conventions. Printed publications average following activity is the only channel that has positive correlations relationship with the answerers age, up to a point where it is the single most followed channel among answerers in ages 60 and above. However, the

franchisors answers on the preferred age spectrum of new franchisees came out that none of the franchisors prefer new franchisees to be older than 60 years of age (as seen in Figure 1. The preferred age of new franchisees). The most desirable groups, from 30 to 59 of age, is moderately active in all measured channels. The most desired group 40-49 (100% of franchisors) are at their most active following on social media and internet publications but do still follow print media on an average level in the 0-6 range.



**Figure 9.** The most desirable groups channel activity average vs. channel importance estimated by franchisors

The figure above illustrates averages on age groups from 30 to 59 years of age channel activity and the estimated importance of marketing channels by the franchisors of this survey. These age groups are chosen for this illustration due to the finding, that most franchisors look for new franchisees in this age group. It is relevant to measure this groups

activity to franchisors estimation of channel importance, because this is the very group franchisors want to market their franchising rights to. As seen above, the average activity and estimates are in good balance. The franchisors answers on internet-based publications importance has a slightly higher average value compared to how much they are reported to be followed by the franchisees on average.

**Hypothesis 4: Franchisors are effectively reaching franchisees with their marketing efforts of franchising rights** is, for the most part, accepted since all marketing channels were reported to have being served to the franchisees initial or further information about franchising and the business opportunity. Naturally, some channels and means of marketing within those channels were very effective compared to other channels and methods, but further analysis on effectiveness would perhaps be more sensible to conduct as return on marketing investment of a channel. The reported activity averages of franchisees on each channel was also matched with franchisors estimates on channel importance, which confirms that the marketing efforts are likely to be allocated in an effective manner considering the emergence of new digital marketing platforms that partly replace some traditional channels, as seen in the younger end of the franchisees answers of this survey.

## 5. CONCLUSIONS

The research was set out to research the desired qualities and marketing channels that are used to recruit new franchisees in the Finnish market. The idea of this research came out of franchising literature, because academic Franchising literature is somewhat dated in terms of rather lately introduced marketing channels of the digital age. The desired qualities were introduced to the survey, because marketing tools in web platforms come with a high level of focus group building tools and depending on the findings, could be utilized for optimizing the accuracy of the marketing efforts.

In addition to the aforementioned, it was also interesting to study, whether the chains end up with the kind of franchisees that they actually look for. Most of these chains are successfully stable and survived the competition in their fields of business and are, to at least some degree, the chains that has figured out the best practices to run their businesses in their fields. Human resource capital infusion to the chains organization is unquestionably one of the key elements in achieving sustainable success. Even though the absolute similarity of the desired qualities of new franchisees is rejected in this study, some consistently desired key elements were recognized. Those were willingness to work hard, loyalty to franchisor and perseverance.

The findings on to what degree these qualities are attained suggest, that willingness to work hard and perseverance are represented to the same degree, but loyalty to franchisor does not reach quite as high of a level on the franchisees self-estimates as the franchisors would desire. Other highly appreciated qualities were candidate's personal values and fit to chains values, understanding of the concept, personal chemistry, financial level and local experience and networks. These qualities were reported to be found close to similar weightings as they were being appreciated by the franchisors, except the resources of financial level and local experience and networks. These two were somewhat more weighted as important by the franchisors than reported to be possessed by the franchisees by the time of the recruitment. The literature review explained franchising as a way to

buy in to the chains established demand and operative network, which could offer partial explanation to why these franchisors joined a chain in the first place: low level of financial assets to absorb risk, invest into marketing and wait for returns and low level of local networks to aid sales activities or start up an operation.

The collective profile of desired new franchisee is someone with wish for success, willingness (and availability) to work hard, loyal to franchisor, perseverant, has fitting personal values with the chains values, understands the concept of the chain, has a good level of personal chemistry with the chains management and supportive functions representatives, has a good financial level and good local experience and networks. The most desired age of the new franchisee is from 40-49 (100%), 30-39 (66,7%), 50-59 (58,3%) and 18-29 (25%). None of the chains in this study is preferably looking to recruit new franchisees at the ages of 60 and older.

Laakso (1998 & 2005) mentioned the three channels: conventions and tradeshow, print adverts and direct approach when a strong quality is detected, such as legally required formal education to operate a business. This study also discovered that tradeshow and conventions are somewhat engaged and successfully reported marketing channel of franchising right among the study group. More than half of the chains participating in this study, report formal competency as a mandatory requirement in their field of business. As Laakso (1998) stated, these chains may find it efficient to engage to a “head hunting” type of marketing activities in their new franchisee recruitment. Laakso (1998) also stated, that print media is the primary channel that Finnish franchisors use to market their franchising rights. Findings of this study confirms the use and importance of the print adverts but highlights its popularity among the older and descending popularity among the most desired ages of new franchisees. The digital advertisement platforms have, in the light of the findings of this study, ascended to match the importance of the printed adverts. One chain manager stated explicitly on the open field of the survey, that advertising in magazines or newspapers does not work and a higher level of engagement in the social media is required.

Website of the chain, online job advertisements and franchising related websites are actively used by new franchisees to find out and learn more about franchising and the chain in particular. Job advertisement are particularly popular in both, print and digital platforms, and therefore could be explored with keyword advertisement and search engine optimization tools as well to direct seekers of employment to the chains websites franchising section. Furthermore, about the chains website, since the website of the chain is the number one source of initial or further information on the chains membership, its attractiveness and follow up actions need to be top priorities of the chains recruitment activities. Therefore, it would make sense to generate as much traffic to the chains site via the fore mentioned keywords, search engine optimization and other internet-based platforms and publications and then using a built in “pixel” within the site to active remarketing tools for visitors of the franchising-section of the website to channel new recruit related marketing content as follow up marketing for those visitors.

Reports on having found out about the business opportunity or franchising through social media was relatively low, but a lot of the franchisees answering this survey has started to franchise before their chains have engaged in marketing activities in those channels. The importance of those channels should rather be estimated by the activity of franchisees in each channel.

Franchisees reports on channel following activity is ranked: social media, internet publications, printed publications and conventions. Men and women franchisees report the same activity order in each channel, although women report generally more active than men in all channels except in internet publications. Overall, the most desired age groups (30 to 59) report close to identical weightings in their daily activity than the franchisors average estimates are on each channel’s importance.

The study group was not big enough on any specific geographic area or county to make reliable conclusions on geographical correlation between geographical location and marketing channels, or desired qualities for that matter. The study group was also too small to make more than speculative conclusions on the marketing channel analysis

between different industries. All the different industries franchisees answers were in line with the general answers on channels and background, except in accommodation industry it was more likely that the entrepreneur comes from entrepreneurial background instead of a working relationship with some other company.

The age group that franchisors reported to be the most interested in as new franchisees contrasted with the estimates on channel importance demonstrates that, on average, the chains have a good understanding on how they should allocate their marketing resources. Findings of this study could be useful for some chains starting up in their prospecting activities, looking to assess their marketing channel performance and chains who look to market their franchising rights to a certain age group or gender of potential new franchisees.

As the job advertisements had a good percentage of finding new franchisees both in printed and digital form, it could be smart to engage in LinkedIn marketing to find new franchisees. LinkedIn is the working life social media and a platform where users are also actively seeking employment. For franchisees, who value local experience and networks, LinkedIn is an effective way to assess a candidate's personal networks. Further developments on the findings could be to consult experts of digital marketing tools and professionals working in social media marketing.

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## ATTACHMENTS

### Attachment 1. E-mail to chain management

Hyvä franchiseketjun yrittäjärekrytoinnista vastaava päättäjä

Teen Pro Gradu tutkimusta Vaasan yliopistoon franchising liiketoiminnasta ja tarkemmin ottaen franchise-markkinoinnista: franchise-ottajan profiilista sekä franchise-oikeuksien markkinointikanavista. Kohderyhmänä on Suomen Franchising-Yhdistys ry:n varsinaisten- sekä ehdokasjäsenien ketjujohto ja ketjuyrittäjät. Suomen Franchising-Yhdistys ry on kumppanina tässä tutkimuksessa.

Kullekin tutkimukseen mukaan lähteneelle ketjulle tarjotaan viiden hengen joukkueosallistuminen (arvo 230€ + alv 10%) valitsemaansa kesän 2018 RunFest -liikunta- ja työhyvinvointitapahtumaan (14.6. Turku, 23.8. Tampere, 30.8. Helsinki ja 6.9. Oulu), sekä 50% alennus lisäjoukkueisiin tutkimukseen osallistujan etuna. Lisätietoa RunFest-tapahtumista viestin lopussa.

Voitte tutustua kyselylomakkeisiin ennen päätöstänne tutkimukseen mukaanlähtemisestä. Tutkimukseen mukaan lähteneet saavat yhteenedon tutkimuksen tuloksista sähköpostiinsa (sekä ilmaiskoodin joukkueilmoittautumiseen RunFest-tapahtumaan). Vastauksien analysointi ja tutkimuksen yhteenveto toteutetaan niin, että tutkimukseen vastanneita ketjuja ei voida yksilöidä tai tunnistaa yhteenedosta. Vastaukset ja muut tiedot ovat ehdottoman luottamuksellisia. Kyselyyn vastaaminen kestää noin 5 minuuttia.

Tutkimuksen on tarkoitus arvioida uusien franchising-yrittäjien toivottuja ominaisuuksia sekä selvittää, mitkä franchisen markkinoinnin toimenpiteet ja kanavat tavoittavat franchise-ottajien kohderyhmän parhaiten.

Franchiseketjun kyselylomake:

<https://goo.gl/forms/adYM0ABIWhqXhmXv1>

Franchiseyrittäjän kyselylomake:

<https://goo.gl/forms/URMRKsLZfvzIzeUx1>

Lisätietoa RunFest-tapahtumista:

**RunFest liikuttaa koko työyhteisöäsi**

RunFest on työyhteisöille, asiakkaille tai kaveriporukoille sopiva elämyksellinen tapahtuma, jossa liikutaan hyvän puolesta. RunFestissä juostaan tai kävellään joukkueena rento 5 x 4,2 kilometrin puolimaratonviesti, nautitaan piknikistä, kesäillan tunnelmista ja yhdessäolosta.

RunFestissä kannustetaan, innostutaan liikkumaan ja pidetään hauskaa yhdessä – joukkueen voimalla. Samalla kerrytetään varoja hyväntekeväisyyteen ja urheiluseuratoimintaan vähintään euro liikuttua viestikilometriä kohden.

Tapahtuman tunnelmiin voi tutustua videosta: <https://youtu.be/b-6ROvzPZhU>

Tai RunFestin kotisivuilla [www.runfest.fi](http://www.runfest.fi)

Kesän 2018 RunFestit järjestetään 14.6. Turun Kupittaaanpuistossa, 23.8. Tampereen Ratinannokanpuistossa, 30.8. Helsingin Meri- ja Kaivopuistossa ja 6.9. Oulun Ainolanpuistossa.

Annan mielelläni lisätietoja tutkimuksesta sekä mukaan lähteville ketjuille tarjotusta RunFest -edusta sähköpostitse: [j.karrus@gmail.com](mailto:j.karrus@gmail.com) tai puhelimitse numerosta: 0443228832

Ystävällisin terveisin

Jaakko Karrus

## Attachment 2. Franchisors questionnaire form

# Franchise-ottajan profiili ja franchise-oikeuksien markkinointi Suomessa

## Franchise-antajan kyselylomake

Kysely on osa Vaasan yliopistoon tuottavaa Pro Gradu tutkimusta franchising liiketoiminnasta ja tarkemmin ottaen franchise-markkinoinnista: franchise-ottajan profiilista sekä franchise-oikeuksien markkinointikanavista. Kohderyhmänä on Suomen Franchising-Yhdistys ry:n varsinaisten- sekä ehdokasjäsenien ketjujohto ja ketjuyrittäjät. Suomen Franchising-Yhdistys ry on kumppanina tässä tutkimuksessa.

**\*Pakollinen**

## Sähköpostiosoite \*

Sähköpostiosoitteesi

## Franchisingin aloitusvuosi \*

- 1970-79
- 1980-89
- 1990-99
- 2000-2009
- 2010-2018

Ketjunne toimiala on: \*

- Ravintola-ala
- Vähittäiskauppa
- Henkilöstövuokraus
- Kiinteistövälitys
- Ajoneuvot ja huolto
- Tilitoimistopalvelut
- Hoiva- ja terveyspalvelut
- Liikkeenjohdon konsultointi
- Varastointi
- Liikuntakeskukset
- Muu: \_\_\_\_\_

Ketjunne on kotimaakunta on: \*

Ahvenanmaa

Etelä-Pohjanmaa

Etelä-Savo

Kainuu

Kanta-Häme

Keski-Pohjanmaa

Keski-Suomi

Kymenlaakso

Lappi

Pirkanmaa

Pohjanmaa

Pohjois-Pohjanmaa

Pohjois-Savo

Päijät-Häme

Satakunta

Uusimaa

Varsinais-Suomi

Muu: \_\_\_\_\_

**Ketjunne etsii franchise-ottajaksi: \***

- Yksityishenkilöitä/ -yrittäjiä
- Yrityksiä
- Molempia

**Mikäli vastasit yksityishenkilöitä/-yrittäjiä, niin onko toivottu franchise-ottaja:**

- Mies
- Nainen
- Ei merkitystä

**Sopiva franchise-ottaja on iältään (voitte valita useamman kohdan): \***

- 18 - 29 -vuotias
- 30 - 39 -vuotias
- 40 - 49 -vuotias
- 50 - 59 -vuotias
- 60 - 69 -vuotias
- yli 70 -vuotias

**Omaa muodollisen koulutuksen tai ammattihenkilön pätevyyden tietyn toiminnan harjoittamiseen \***

- Kyllä
- Ei
- Ei Merkitystä







## Ketjunne tekee tällä hetkellä franchise-ottajille suunnattua markkinointia seuraavilla kanavoilla

Voitte valita useamman kohdan ja kohtiin: Muu..., erotella pilkulla useamman vastausvaihtoehdon:

### Messut

- Oman toimialan messut
- Oman toimialan konferenssit
- Franchising-alan tapahtumat
- Muu:

### Painettu Media

- Paikallislehdet
- Työpaikka-ilmoitukset
- Oman toimialan julkaisut
- Helsingin Sanomat
- Franchising-alan julkaisut
- Muu: \_\_\_\_\_

## Internet ja Sosiaalinen Media

- Suorapostitus
- Ketjun verkkosivut
- LinkedIn
- Facebook
- Instagram
- Twitter
- Youtube
- Työpaikka-ilmoitukset verkossa
- Hakukoneoptimointi
- Franchising-alan sivustot
- Muu: \_\_\_\_\_

## Kuinka tärkeänä franchise-ottajien rekrytoinnin markkinointikanavana pidätte tällä hetkellä

0 = en lainkaan tärkeänä

6 = erittäin tärkeänä

### Messuja ja alan konferensseja

0	1	2	3	4	5	6
<input type="radio"/>						

### Painettua Mediaa

0	1	2	3	4	5	6
<input type="radio"/>						

### Ketjun verkkosivut ja markkinointi internetissä

0	1	2	3	4	5	6
<input type="radio"/>						

### Sosiaalista mediaa

0	1	2	3	4	5	6
<input type="radio"/>						

Vastaa tähän, jos sinulla on palautetta tai kommentteja kyselyyn, kiitos:

Oma vastauksesi

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## Attachment 3. Franchisees questionnaire form

# Franchise-ottajan profiili ja franchise-oikeuksien markkinointi Suomessa

## Franchise-ottajien kyselylomake

Kysely on osa Vaasan yliopistoon tuotettavaa Pro Gradu tutkimusta franchising liiketoiminnasta ja tarkemmin ottaen franchise-markkinoinnista: franchise-ottajan profiilista sekä franchise-oikeuksien markkinointikanavista. Kohderyhmänä on Suomen Franchising-Yhdistys ry:n varsinaisten- sekä ehdokasjäsenien ketjujohto ja ketjuyrittäjät. Suomen Franchising-Yhdistys ry on kumppanina tässä tutkimuksessa.

**\*Pakollinen**

## Sähköpostiosoite \*

Sähköpostiosoitteesi

## Franchisingin aloitusvuosi \*

- 1970-79
- 1980-89
- 1990-99
- 2000-2009
- 2010-2018

**Ketjunne toimiala on \***

- Ravintola-ala
- Vähittäiskauppa
- Henkilöstövuokraus
- Kiinteistövälitys
- Ajoneuvot ja huolto
- Tilitoimistopalvelut
- Hoiva- ja terveyspalvelut
- Liikkeenjohdon konsultointi
- Varastointi
- Liikuntakeskukset
- Muu: \_\_\_\_\_

## Toimipisteeni tai toimipisteideni maakunta/maakunnat \*

 Ahvenanmaa Etelä-Pohjanmaa Etelä-Savo Kainuu Kanta-Häme Keski-Pohjanmaa Keski-Suomi Kymenlaakso Lappi Pirkanmaa Pohjanmaa Pohjois-Pohjanmaa Pohjois-Savo Päijät-Häme Satakunta Uusimaa Varsinais-Suomi Muu: \_\_\_\_\_

**Toimit \***

- Yksityishenkilönä/ -yrittäjänä
- Edustan yritystä, minkä omistajana en ole

**Olen**

- Mies
- Nainen
- En halua vastata

**Ikäni on \***

- 18 - 29 -vuotias
- 30 - 39 -vuotias
- 40 - 49 -vuotias
- 50 - 59 -vuotias
- 60 - 69 -vuotias
- yli 70 -vuotias
- En halua vastata

Olen toiminut franchising-yrittäjänä \*

- alle vuoden
- 1-3 -vuotta
- 3-5 -vuotta
- 5-7 -vuotta
- 7-10 -vuotta
- 10-15 -vuotta
- yli 15 -vuotta
- En halua vastata
- Edustan yritystä, minkä omistajana en ole

Vaatiiko ammattitoimintasi muodollisen koulutuksen tai ammattihenkilön pätevyyden toiminnan harjoittamiseen \*

- Kyllä
- Ei

Olin franchising-ottajana aloittaessani työsuhhteessa \*

- Vakituiseissa työsuhhteessa
- Määräaikaisessa työsuhhteessa
- Työnhakijana
- Yrittäjänä
- Muu: \_\_\_\_\_







## Sain kuulla ja/tai lisätietoa franchisingista ja liittymästani ketjusta näistä kanavista

Voitte valita useamman kohdan ja kohtiin: Muu..., erotella pilkulla useamman vastausvaihtoehdon:

### Messut

- Oman toimialan messut
- Franchising-alan tapahtumat
- Muu: \_\_\_\_\_

### Painettu Media

- Paikallislehdet
- Työpaikka-ilmoitukset
- Oman toimialan julkaisut
- Helsingin Sanomat
- Franchising-alan julkaisut
- Muu: \_\_\_\_\_

## Internet ja Sosiaalinen Media

- Suorapostitus
- Ketjun verkkosivut
- LinkedIn
- Facebook
- Instagram
- Twitter
- Youtube
- Työpaikka-ilmoitukset verkossa
- Franchising-alan sivustot
- Muu:

## Päivittäisessä elämässäni seuraan

0 = en lainkaan

6 = erittäin aktiivisesti

### Messuja ja alan konferensseja \*

0	1	2	3	4	5	6
<input type="radio"/>						

### Painettua Mediaa \*

0	1	2	3	4	5	6
<input type="radio"/>						

### Internetissä toimivia lehtiä ja julkaisuja \*

0	1	2	3	4	5	6
<input type="radio"/>						

### Sosiaalista mediaa \*

0	1	2	3	4	5	6
<input type="radio"/>						

Vastaa tähän, jos sinulla on palautetta tai kommentteja kyselyyn,  
kiitos:

Oma vastauksesi