

**UNDERSTANDING FRANCHISE BRAND
SELECTION CRITERIA OF FRANCHISEE:
A CASE STUDY OF BUBBLE TEA
FRANCHISE INDUSTRY IN THAILAND**



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Thematic Paper
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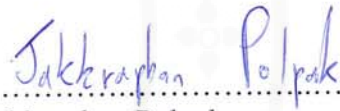
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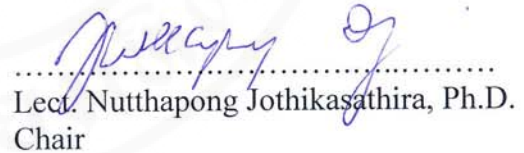
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ABSTRACT

Acquiring franchisees is one of the key success factors of a franchising business. Franchisees could help a franchise brand to grow faster and be more stable. However, most of the existing franchising literature is not specified, in terms of the criteria of choosing a franchise brand, because the franchise brand selection criteria are different for each type of business. Thus, this research proposes to study the franchise brand selection criteria of a bubble tea franchise business in Thailand.

Based on the detailed information, provided by 20 franchisees of the 5 targeted bubble tea franchise brands, the researcher found that brand reputation, profitability, cost of franchising, and personal preference towards a brand are the deciding factors in choosing a franchise brand. The financial health of the franchisor and stakeholder are also affected. The researcher also found that a lot of other criteria did not effect the decision making process in the choice of becoming a franchisee of a particular bubble tea franchise business.

**KEY WORDS: FRANCHISING/BRAND SELECTION CRITERIA/BUBBLE
TEA/QUALITATIVE RESEARCH**

95 pages

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UNDERSTANDING FRANCHISE BRAND SELECTION CRITERIA OF FRANCHISEE: A CASE STUDY OF BUBBLE TEA FRANCHISE INDUSTRY IN THAILAND

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บทคัดย่อ

การเพิ่มจำนวนแฟรนไชส์ซีถือเป็น 1 ในปัจจัยความสำเร็จของธุรกิจแฟรนไชส์ในทุกวันนี้ เนื่องจากแฟรนไชส์ซีสามารถช่วยแบรนด์แฟรนไชส์ให้มีการเติบโตที่รวดเร็วยิ่งขึ้นและมีเสถียรภาพยิ่งขึ้น แต่ทว่าผลของงานวิจัยต่างๆที่เกี่ยวข้องกับปัจจัยการเลือกแบรนด์แฟรนไชส์นั้นกลับแตกต่างกันออกไปในแต่ละงานวิจัย ทั้งนี้เนื่องจากว่าปัจจัยการเลือกแบรนด์แฟรนไชส์นั้นจะแตกต่างกันไปตามประเภทของธุรกิจที่แฟรนไชส์นั้นๆกำลังทำอยู่ ดังนั้นในงานวิจัยนี้จึงมุ่งเน้นหาปัจจัยการเลือกแบรนด์แฟรนไชส์ในธุรกิจชานมไข่มุกในประเทศไทย

งานวิจัยนี้ได้วิเคราะห์จากบทสัมภาษณ์แฟรนไชส์ซีจำนวน 20 ท่านใน 5 แบรนด์ที่เป็นกลุ่มเป้าหมาย โดยทั้ง 20 ท่านนั้นยังคงดำเนินธุรกิจแฟรนไชส์ในฐานะแฟรนไชส์ซีในแต่ละแบรนด์อยู่ งานวิจัยนี้ได้พบว่า ชื่อเสียงของแบรนด์แฟรนไชส์ ความสามารถในการทำกำไร ค่าแฟรนไชส์ และความชื่นชอบส่วนบุคคลนั้นมีผลอย่างมากต่อการตัดสินใจเลือกแบรนด์แฟรนไชส์ของแฟรนไชส์ซี โดยที่สภาพคล่องทางการเงินของแฟรนไชส์แบรนด์ และอิทธิพลจากผู้อื่นที่ติดต่อด้านนั้นก็มีผลต่อการตัดสินใจเช่นกัน อย่างไรก็ตาม การวิจัยนี้ยังได้พบว่ามีปัจจัยอื่นๆอีกมากมายที่ไม่ส่งผลต่อการตัดสินใจของแฟรนไชส์ซีในการเลือกแบรนด์แฟรนไชส์

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CHAPTER I

INTRODUCTION

In this chapter, the researcher would like to give details of the background of the research study, franchising system in Thailand, the significance, objectives, scope, benefit and the word definition of the study.

1.1 Background of the study

Franchising is a right granted to an individual or group to market a company's goods or services within a certain territory or location¹. An individual who purchases and runs a franchise is called a "franchisee." The franchisee purchases a franchise from the "franchisor." The franchisee must follow certain rules and guidelines already established by the franchisor, and in most cases the franchisee must pay an ongoing franchise royalty fee, as well as an up-front, one-time franchise fee to the franchisor (Daszkowski, 2007).

The history of franchising system began in the 1840's, by Albert Singer, who produced the Singer sewing machine. Albert Singer was the first recognized franchisor. He sold the machine and methodology for sewing. He prepared the franchise agreement which became the basis of modern day franchising system. Franchise business became increasingly popular in USA and in Europe. Many companies found that they could use franchising to expand and to increase their profitability by selling products in larger geographical area. Many well-known franchise brands began their business in mid-twentieth century, for example, Kentucky

¹ Don Daszkowski, What is franchise? [online], 2007, available from <http://franchises.about.com/od/franchisebasics/a/what-franchises.htm>

Fried Chicken (KFC) in 1930, Dunkin Donuts in 1950, Burger King in 1954, and McDonald's in 1955².

Franchising is one of the most dynamic methods of business expansion. Many businesses have grown from a one unit outlet to become thousands of units within a few years. The nature of franchise business is that both franchisor and franchisee helping each other to expand the business. Franchisor has an opportunity to open new shop outlets in new geographical areas, bringing in the brand recognition and increase revenue. Franchisee gains knowhow and financial benefits by operating a business under the franchise brand.

Financial benefits and fast growth opportunity have made this type of business model became popular. Many franchise brands are created every day. Some franchise brands appear to look good but are not chosen by potential franchisees whilst some of not-so-good looking franchise brands are accepted by franchisees. The reasons behind this phenomenon have not been clear. Since the acquisition of franchisees is one of the key success factors of a franchise business. Thus, understanding the franchise brand selection criteria of potential franchisees is of great importance.

Creating a new franchise brand is not difficult, but being an attractive franchise brand to potential franchisees is. What are the criteria that a potential franchisee uses in purchasing a franchise right? What are the key factors influencing decision making in choosing a franchise brand? These are the two key points are the points that influence the researcher to make this academic paper.

The study of franchisee selection criteria toward franchise brand is industry specific. Since the franchising system could be used for any type of business, the targeted business is an important factor that has to be considered (Diaz-Bernado, 2009). This academic paper intends to study the bubble tea franchise business from the perspectives of franchisees. Collecting and analyzing the franchisees reasons for choosing a franchise brand will be conducted.

² Don Daszkowski, What is franchise? [online], 2007, available from <http://franchises.about.com/od/franchisebasics/a/what-franchises.htm>

Bubble tea industry in Thailand

Bubble tea shop is an outlet selling milk tea drink with pearl shaped tapioca toppings. There are about 10-25 products under 3 categories, milk tea, green tea (included Japanese green tea or ‘matcha’), and red tea. Some brands may also carry coffee or cocoa drink, however, this academic paper has classified those as bubble tea brands as long as the product range includes a bubble tea drink.

Bubble tea market in Thailand has a market value of 7.8 billion baht (included ready-to-drink tea) (Siamturakij, 2012). Average annual growth of this industry is 15% using the year 2011 as a base (Kasikorn research center, 2011). There are more than 10 brands in the market (included non-franchise brand).

The bubble tea franchise segment is categorized under the ice cream & beverage industry consisting of 73 segments, of which 19.21% are operated under the franchise mode (Thai franchise center, 2012). The bubble tea franchise business has over 4 brands accounted for, 5.48% of ice cream & beverage franchise section (Thai franchise center, 2005).

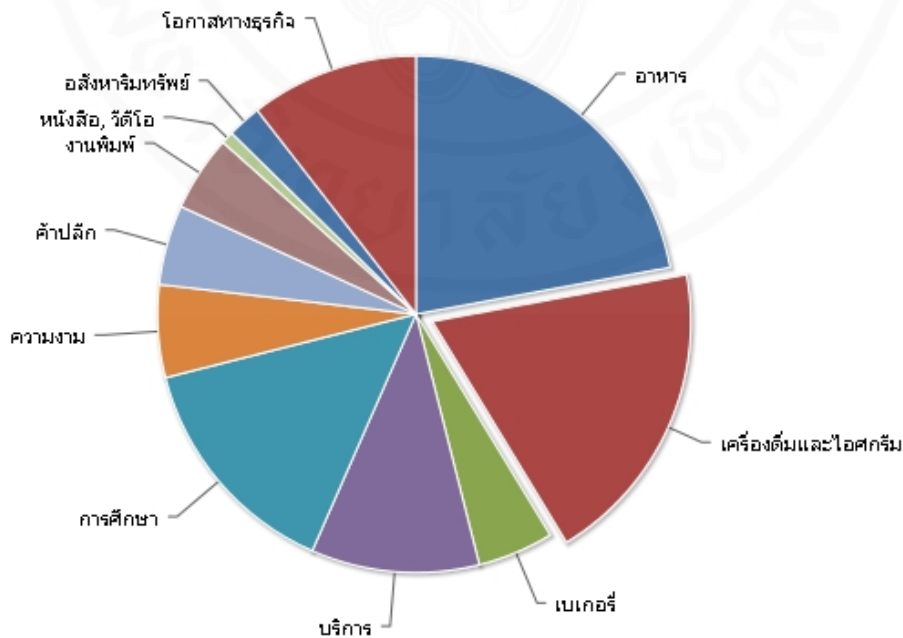


Figure 1.1: The contribution of ice creams & Beverages franchise businesses in Thailand

Source: Thai franchise center (2012)

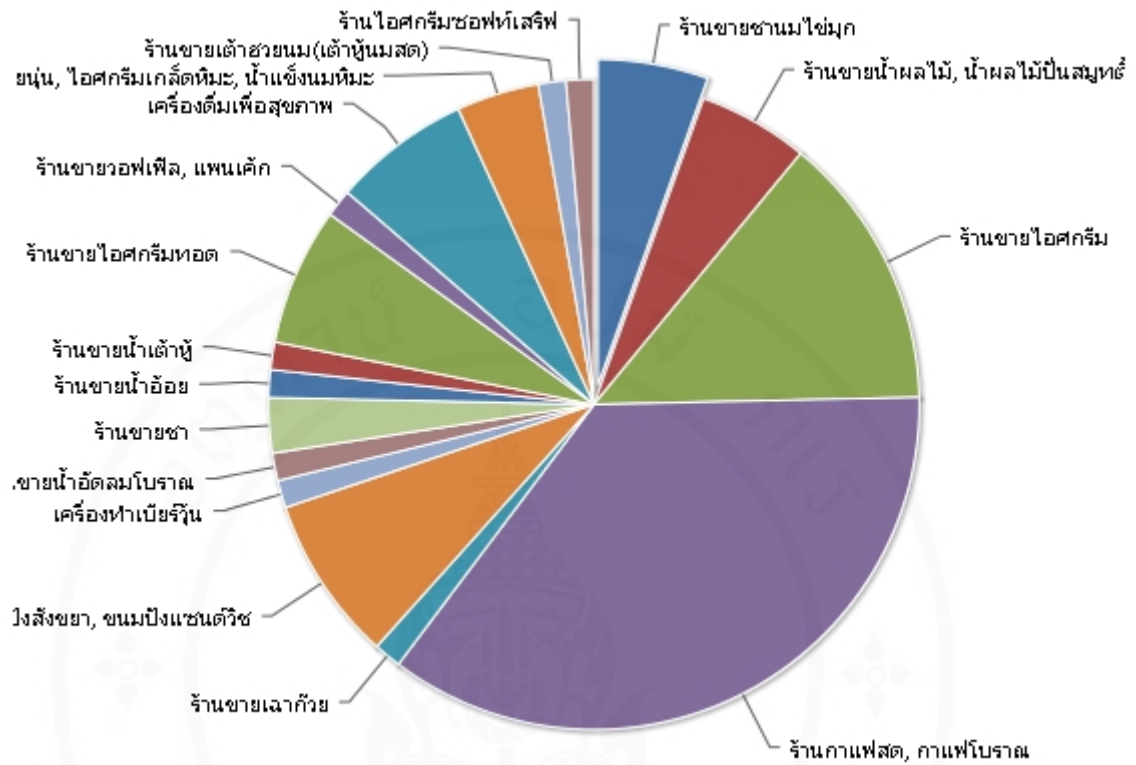


Figure 1.2: The contribution of bubble tea franchise business compared to the other type in ice cream % beverage category

Source: Thai Franchise Center (2012)

Bubble tea became popular during Thailand in year 2002-2003, started by a small bubble tea shop at Siam Center in Bangkok. The influx of a large member of entrepreneurs with low quality products resulted in the collapse of the bubble tea industry (Siam intelligence, 2011). Following that, bubble tea drink became popular once again in year 2010. This time, the competition is less intense but still with many players in the market (Shooshaisri, 2012).

Currently, there are many players in the market operating under franchise and non-franchise brand. The players compete on quality and product differentiation.

Brand name gaited on the side of the drink container, logo-printed seal, unique taste is used to differentiate the bubble tea drinks. Pudding, jelly, or grass jelly have been added increase the range of toppings.

Due to the popularity and the uniqueness of bubble tea drink, there are many newcomers to the market segment since 2010. Many market professionals

predicted that the market will collapse again. The opinions of market players indicate that the bubble tea industry will be active for the next 2-3 years. The reasons for business sustainability are; firstly, the determination of entrepreneurs who want to have their own businesses and to succeed in the market; Secondly, the product uniqueness; and thirdly, the consumers' acceptance of bubble tea drinks (Jirawaraphan, 2011; Shooshaisri, 2012).

Entrepreneurs are attracted to the bubble tea business, due to the low initial investment (Kasikorn research center, 2012). Potential revenue fashion 200-300 glasses (150 thousand baht to 200 thousand baht per day) in office building on shopping mall are very interesting for entrepreneur. Competition has become intensified (Pollawan, 2011).

Due to the intensified competition in the market potential, bubble tea entrepreneurs would seek to purchase a franchise right from a established franchisor. Many of the entrepreneurs do not know how to begin a business and how to compete in the market. The franchise system is one of the solutions for many entrepreneurs. The franchisor provides all of the business know how and operating procedure to a franchisee. All the entrepreneur has to do is just maintain and achieve the quality standard and requirement of the brand.

There are many bubble tea franchise brand in the market. The most profitable franchise brand will be of interest to a franchisee. What are the relevant factors to be considered by the franchisee? According to research, the most famous franchise brand may not be the most popular franchise brand for the potential franchisees (Tawee, 2010). The franchisee is a key success factor for the franchise business, so, this market study is to find out what are the franchisee's criteria for choosing a franchise brand.

This market research will study the franchisee's criteria for choosing a franchise brand in the bubble tea franchise business. The franchisees of 4 bubble tea franchise brands which are; Ochaya, Mochi tea, Chewing tea, and TeaO were selected for the study.

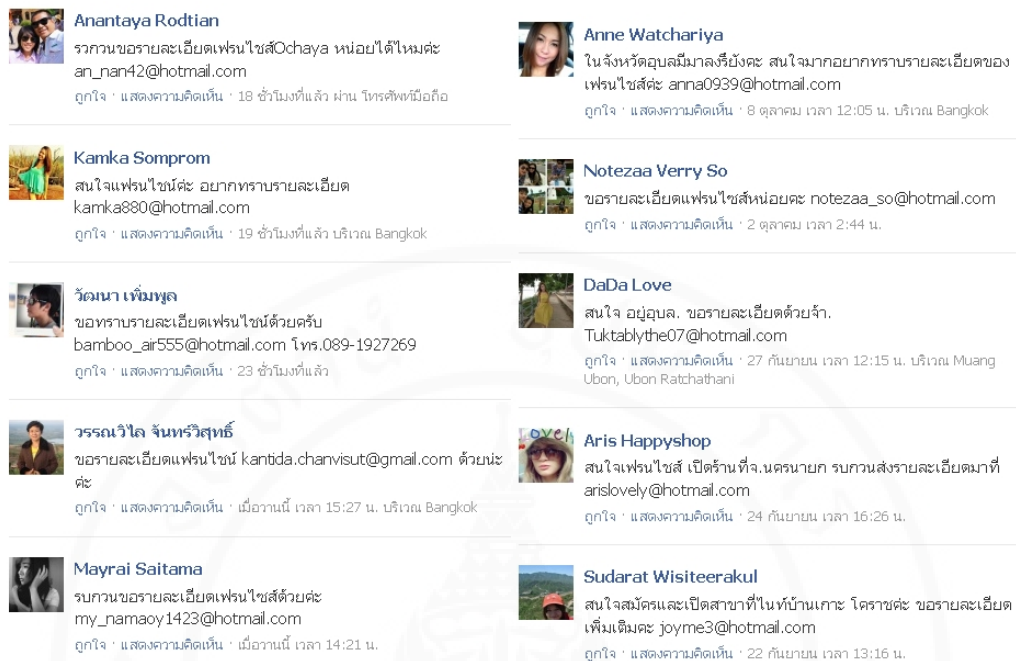


Figure 1.3: Franchise interested in bubble tea Facebook pages

(Ochaya, and Mochi tea)

Source: www.facebook.com (searched on 22/10/2012 at 15:57pm)

1.2 Significance of the study

This academic paper is to study the potential franchisees selection criteria of a franchise brand in the Thai bubble tea franchise business. The propose is to find the reasons and key factors used by a potential franchisee to choose a particular bubble tea franchise brand.

At the same time, knowing the reasons behind franchisee's brand purchase decision would help a franchisor to build a win-win situation for both franchisors and franchisees. For the franchisor, attracting more franchisees will help to increase market coverage and brand awareness. The increase in number of franchisees mean higher revenue and profits. In term of marketing, the franchisor could expand business faster, and farther to reach consumers. For the franchisee, there will be benefits from sustainability of business, operational efficiency, financial risk reduction, and increase business development opportunity (Knight, 1986).

1.3 Objectives of the study

- To identify Thai bubble tea franchise choosing criteria from the perspective of current franchisee.
- To identify the franchise choice decision process from the franchisee perspective in Thai bubble tea businesses.
- To assess the future competitive environment of Thai bubble tea franchise businesses and its potential challenges.

1.4 Scope of the study

The methodology used in this research will be qualitative methodology. The in-depth interview will be selected randomly from a population of 146 franchisees from four bubble tea franchise brands operating in Bangkok.

- Ochaya (55 branches), established 55 franchise branches in 3 years (18.33 branches per year)
- Mochi tea (20 branches), established 20 branches in one year.
- Chewing tea (18 branches), established 18 branches in one year.
- TeaO (11 branches), new franchise brand with an average franchise fee.

In-depth interviews will be conducted with 5 franchisees from each brand, giving total of 20 franchisees. The results of the interview will be analyzed and summarized in chapter 6.

1.5 Limitation of the study

The targeted interviewees were bubble tea franchisees with a shop located in Bangkok. The interviews were conducted during July to August 2012 with the selected target group. The objective of the interview was to encourage interviewees to express their experiences and intentions when they decided to purchase a franchise. Limitation of this academic paper was the qualitative methodology used. Since this academic paper planned to interview of 20 people from 4 brands covering 13.69% of

all franchises of these four brands, the number of target samplings may not be sufficient when compared to quantitative methodology. However, the researcher believe that the used qualitative methodology would provide something new and beneficial as almost all of the past researches employed quantitative method.

1.6 Benefit of the study

The researcher has hoped that this research would bring benefit to academics and practitioners. The academic used could be as an example for future academic research in related topics, or as a model for future research development. For practitioners benefit, this academic paper could be a guideline for franchisors to develop a better business model, new business strategies, or to draft franchise contracts.

1.7 Conceptual framework

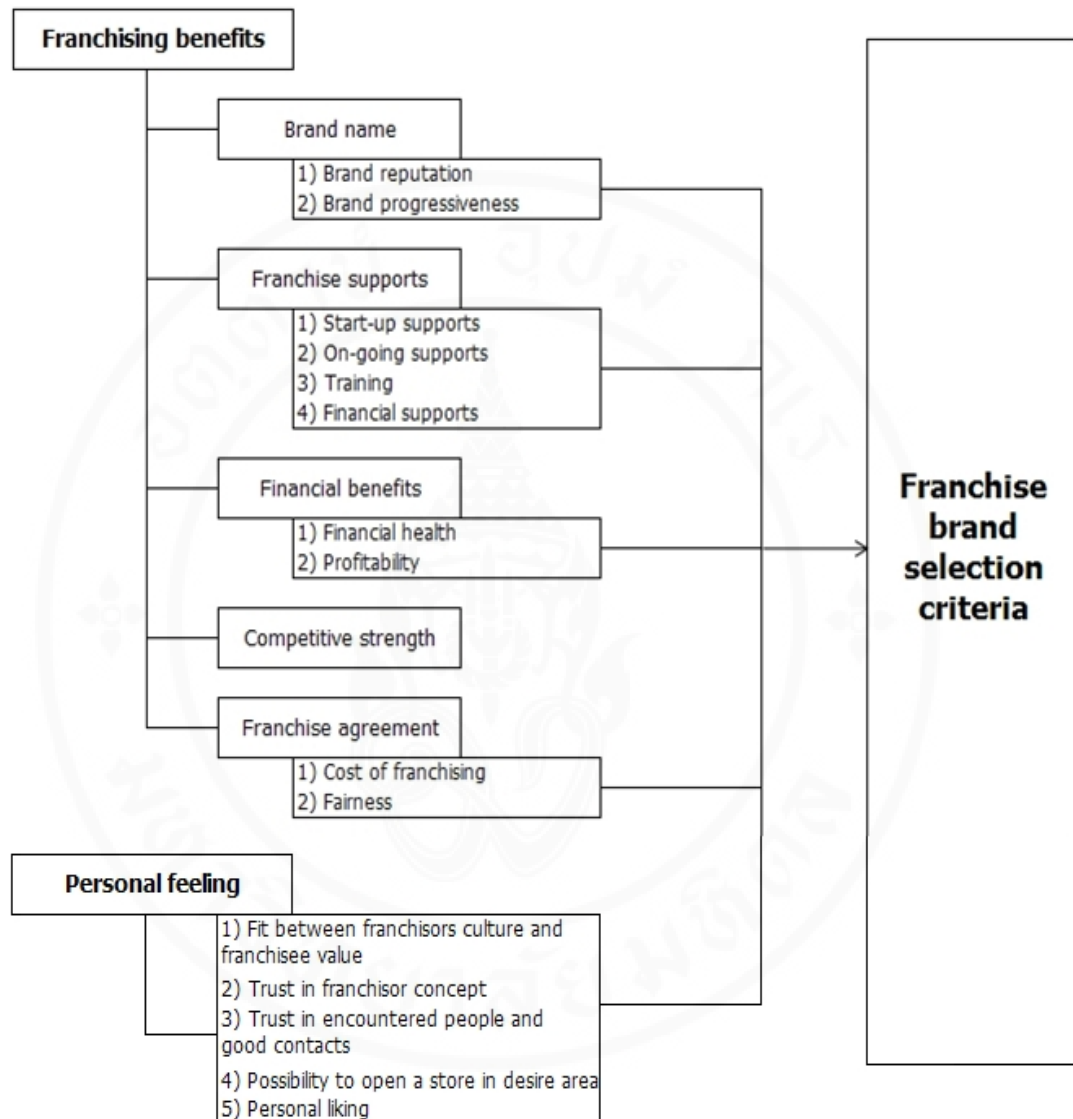


Figure 1.4: Conceptual framework

1.8 Definition of terms

Decision making: It is work of choosing issues that require attention, setting goals, finding or designing suitable course of action, evaluating and choosing among alternative actions. The first three of these activities--fixing agendas, setting goals, and designing actions--are usually called problem solving; the last, evaluating and choosing, is usually called decision making (Simon, 1986).

Entrepreneur: Someone who owns his or her business. The person derives some income by engaging in business or economic activities as a self-employed person. The business may or may be inherited through the family (Selvarajah & Chelliah & Lee, 2012).

Franchise system: A franchise is a right granted to an individual or group to market a company's goods or services within a certain territory or location. An individual who purchases and runs a franchise is called a "franchisee." The franchisee purchases a franchise from the "franchisor." The franchisee must follow certain rules and guidelines already established by the franchisor, and in most cases the franchisee must pay an ongoing franchise royalty fee, as well as an up-front, one-time franchise fee to the franchisor (Daszkowski, 2007).

Franchise agreement: The franchise agreement is a legally binding agreement which outlines the franchisor's terms and conditions for the franchisee. The franchise agreement also clearly outlines the obligations of the franchisor and the obligations of the franchisee. The franchise agreement is signed at the time an individual has made the final decision to buy the franchise. It is strongly suggested that anyone who is considering buying a franchise should consult with a professional franchise attorney (Daszkowski, 2007)

Bubble tea: an East Asian drink of tea containing grains of tapioca and often blended with sweetener and flavorings, shaken to froth and usually served cold with a straw (Oxford, 2012).

CHAPTER II

LITERATURE REVIEW

Literature review in this research explores the concepts and theories relating to franchisee decision making criteria to choose a franchise brand. In addition, researcher will look at published research related to the topic. Conceptual framework will be stated at the end of the chapter.

2.1 Overview of franchising system

Franchising is a business system that franchisee purchases a franchise right to use a franchise company's brand, business model, or any other rights according to the franchise contract¹. Benefits sought by potential franchisees in this type of business model vary in already proven successful business model. Franchisee usually expects higher return as compared to being a salary employee. The concept of "franchise" is not unanimously defined. Scholars have defined the concept as shown in the following paragraphs;

Hunt (1972) provided a definition of franchising as a contract which delineates continual responsibilities and obligations of both the franchisor and the franchisee. According to the agreement, franchisees will operate the business under the trade name and marketing plan of the franchisor.

Caves and Murphy (1976) commented that franchise is one lasting for definite or indefinite period in which the owner of a protected trademark grants to another person or firm, for some consideration, the right to operate under this trademark for the purpose of producing or distributing a product or service.

International Franchise Association (IFA) (2001) explained that franchising is the agreement or license between two legally independent parties which

¹ Don Daszkowski, What is franchise? [online], 2007, available from <http://franchises.about.com/od/franchisebasics/a/what-franchises.htm>

gives; Firstly, a group of people (franchisee) the right to market a product or service using the trademark or trade name of another business (franchisor). Secondly, provides franchise the right to market a product or service using the operating methods of the franchisor. Thirdly, the franchisees have obligation to pay the franchisor fees for these rights. Finally, the franchisor have obligation to provide rights and support to franchisees.

Miller (2005) defined that Franchise means any continuing commercial relationship or arrangement, whatever it may be called, in which the terms of the offer or contract specify, or the franchise seller represents.

Entrepreneur.com (2012) defined that franchising is a continuing relationship in which a franchisor provides a licensed privilege to the franchisee to do business and offers assistance in organizing, training, merchandising, marketing and managing in return for a monetary consideration. Franchising is a form of business by which the owner (franchisor) of a product, service or method obtains distribution through affiliated dealers (franchisees).

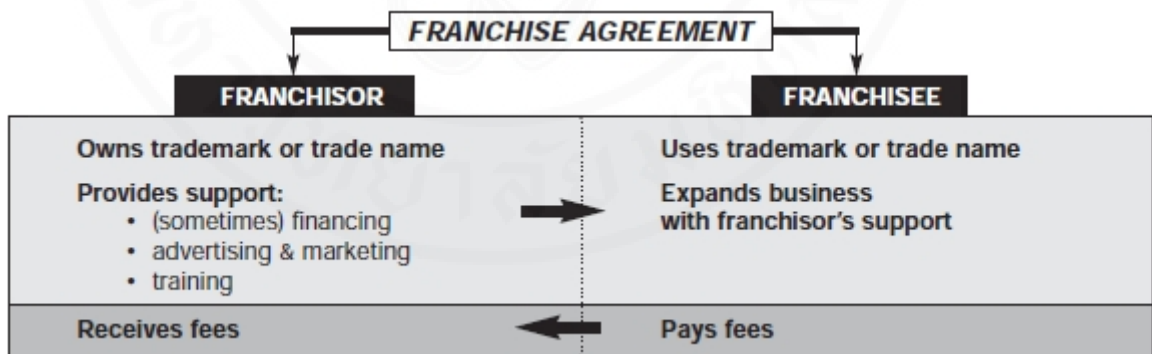


Figure 2.1: Franchise system overview

Source: International Franchise Association (IFA) (2001)

According to the definitions and the figure above, the most important thing of franchising is franchise agreement. The franchise agreement reported the right of franchisee authorized by franchisor. Generally, according to the Department of business development in Thailand, the franchise agreement consists of 10 subjects and 4 types of payment fees, which are;

2.1.1 Details of franchise agreement

- Authorization, franchisor will give the rights to use trademark and operational related methodologies to franchisee.
- Standardization, franchisees can use the rights only under the condition agreed in the contract.
- Contract period and payment methods.
- Franchisor obligation.
- Franchisee obligation.
- The right of franchisee to grant franchise's right to other.
- Contract termination clauses.
- Results after franchise rights terminated.
- Condition for sending and receiving contract papers and documents.
- Related laws.

2.1.2 Details of franchise payment fee

Contract period, which is a range of time that a contract has effect. Generally, franchisor will decide for franchisee, may be 3 to 10 years according to the franchise policy. Longer contract period comes with the higher price. Sometime franchisor may be changing a condition when a franchisee wants to renew the contract.

Franchise fee, is a fee that franchisee has to pay to franchisor in exchange for the right to use the franchise brand under a specified contract period. Generally, franchisor provides a service for helping a franchisee after payment of fee. It is also known as the fee that pays for franchise knowledge, secrets, and training. Sometimes this type of fee is called entrance fee, or initial franchise fee.

Occasional fee (or operational fee), which is a fee that franchisee pays for franchisor monthly as a service providing fee, the cost is calculated by franchisee revenue per month.

Royalty fee, which is a fee that franchisee has to pay to franchisor for receiving revenue under the franchise brand. Franchisor used the money from the fee to further develop the franchise system. In Thailand, this type of fee ranges from 4%-10% of monthly revenue, depending on the size of business. This payment may be

calculated based on initial investment, franchise agreement, operational capital, payment condition, shop location, and monthly revenue requirement.

Marketing fee, which is a fee that franchisor collects from franchisee as a percentage of revenue. The money is used to do marketing for franchise brand. Some franchise brands may not have this type of fee.

However, franchisee might not have to pay all types of fees when purchasing franchise right, because franchisor only collects the fees relating to their support. For example, brand A have nationwide marketing activities or marketing support. Brand A could collect marketing fee from its franchisees based on brand's policy. The franchising system categorize 4 types of fees for the types of supports by franchisors.

Franchise fee agreement is important for the franchising system. The fee must be affordable for franchisees, for the most efficient business model. If the franchise agreement fee is too high, franchisees may not be interested in the franchise brand. If the fee is too low, franchisor may not collect sufficient fund to develop the brand and brand business model. Collecting a fee by using a monthly calculation helps franchisor to manage franchisee efficiency. In conclusion, any type of fee or agreement price should be set carefully, not too low and not too high, to benefit both franchisor and franchisee (Franchise vision, 2007)

2.2 Important players in the bubble tea franchise industry in Thailand

In chapter I, the researcher briefly explained about the situation of bubble tea industry in Thailand, the importance of acquiring franchisees, and overview of the franchising system. This part of literature review is about brands information. What franchisee wants from franchisor are knowhow and product to compete in the market. Each brand has its strength and its own core concept. Study of key franchise brands could help to understand franchisees' decision criteria to choose a franchise brand.

Ochaya

Ochaya is the oldest and most famous franchise brand, with over 150 branches in Thailand (55 branches are franchisee owned). The brand usually

establishes the shop at the prime locations in Bangkok, such as BTS Mochit station, Siam Centerpoint, or on Silom Road. The brand focuses on freshness of the tea, with freshly brewed tea and topping at the time of sale. This brand is the most expensive brand (450,000 baht for franchisee fee, 3% of revenue for royalty fee, and 2% of franchisee revenue for marketing fee). This fee is inclusive of kiosk, machinery, and ingredients for one-sales period. After that, the company will provide support for franchisee by provides training, consultation, marketing, ingredients delivery and quality control (information obtained on February, 20, 2012).

Mochi Tea

Mochi tea is a newer franchise brand. It has over 40 branches in Thailand (20 branches are franchisee owned) within one year. The brand focuses on the taste of their drinks, and brand building. A person or an entrepreneur could purchase a franchise right for a fee from 50,000 baht to 220,000 baht depending on the options that they want. For example, the price of a 10 square-metre kiosk with a one year franchise contract will be cheaper than 16 square metre kiosk with 2 year franchise contract. This fee includes kiosk, machinery, and one-sale period ingredients. They do not collect royalty fee and marketing fee, but franchisee has to renew the contract year by year with payment of 2,000-5,000 bahts. The brand supports franchisees with training, and ingredients delivery (information obtained on June, 15, 2012).

Chewing Tea

Chewing tea is also a new franchise brand. It has over 25 branches in Thailand (18 branches are franchisee owned). The brand focuses on the various tastes of the tea, and toppings. An entrepreneur could purchase a franchisee right for 35,000 baht. This fee includes kiosk, machinery, and one-sale period ingredients. It does not have a royalty fee and marketing fee but franchisee have to renew the contract every year. This brand supports franchisee with training and ingredients delivery (information obtained on June, 15).

TeaO

TeaO has 15 branches (11 branches are franchisee owned). This brand focuses on the tea and topping freshness with Taiwan-imported ingredients. An entrepreneur could purchase a franchise right at 190,000 baht, shop decorations are not included. This fee included kiosk, machines, and one-sale period ingredients. It has

only marketing fee. This brand supports franchisee with training, ingredients delivery, data analysis, quality control, and consultation. (information obtained on October, 22, 2012).

Table 2.1: Summarize of bubble tea brands information

Brand	Number of franchisees' branches	Franchise fee	Services	Slogan
	55	450,000 baht	Start-up support Ongoing support Training Ingredients	Tea for everyone
	11	190,000 baht	Start-up support Ongoing support Training Ingredients	Time of your tea, time at TeaO
	20	50,000 – 200,000 baht	Start-up support Ongoing support Training Ingredients	Pearl milk tea
	18	35,000 baht	Start-up support Ongoing support Training Ingredients	Chewable tea

2.3 Theories and concepts relating to the franchisee decision making to choose a franchise brand

To know the criteria that franchisees used when choosing a brand is difficult. There are a lot of benefits in purchasing a franchise right. Choosing the one with the most benefits, using benefit-cost value point, is acceptable for choosing a

franchise brand. However, past research has shown that the deciding factors might not be the same all the time. The research has shown that personal reasons and trust in franchisor's concept, played important role (Gauzente, 2002).

In this study, the researcher has employed methodology of Gauzente (2002) who studied on entrepreneurs decision making to be franchisee and how they chose a franchise brand. Gauzente used a model from many past researchers, including, Hunt (1977), Knight (1986), Peterson and Dant (1990), and Withane (1991).

Gauzente studied the reasons behind a franchisee decision to choose a franchise brand by using a qualitative method. The research was conducted in 4 different regions of France with 21 individuals. The objective of the guide was to encourage interviewees to narrate their experience from the moment when they have decided to purchase a franchise. These interviews represented 24 different brand names. Ten different franchise sectors were investigated (estate agencies, fast food, optic, food retailing, automobile, clothes textile, hairdressing, wines, home textile, shoes). The sample consisted of 12 men and 9 women

The results of Gauzente's study are different from the other researchers, as shown in the table below;

Table 2.2: Gauzente's results compared to the past researches

Tatham & Bush & Douglass (1972) (various businesses)	Hunt (1977) (various businesses)	Knight (1986) (various businesses)	Peterson & Dant (1990) (various businesses)	Withane (1991) (various businesses)	Gauzente (2002) (various businesses)
Capital requirement	Brand name	Trade name	Training	Proven business format	Reputation
Training program	Start-up support	Independence	Established name	Less riskiness	Financial health
Fairness agreement	On-going support	Job satisfaction	Low development cost	Profitability	Human size
Brand progressiveness		Less riskiness	Profitability	Start-up support	Competitive position
Brand reputation		Profitability	Low operational cost	On-going support	Value and culture fit
Profitability		Business development	Less commitment	Quick start	Trust in franchisor concept
Franchise product's demand				Management experience	Trust in encountered people, good contacts
				Personal liking	Open store in desire area
					Cheap investment

Sources: Tatham, Bush, and Douglass (1972) and Gauzente (2002)

From the above table, the results of Gauzente's study are different from the others. Gauzente explained that because of the methodology that she employed qualitative method, used her in-depth interview, letting the researcher goes through the inner feeling of the target interviewees. She suggested that using a quantitative

method, for example, a survey, could not encourage target samples to tell their feelings (Gauzente, 2002). Gauzente's study also found that business benefits are not the only things that franchisee cared when they purchasing a franchise right. Personal feelings, and environmental effect have played important role in franchisee criteria for choosing a franchise brand.

The results from Gauzente's study have not been categorized yet. This research has adapted the results into a research model containing three categories, franchising benefits, personal feeling, and environmental effect.

Franchising benefits are clearly important considering for potential franchisees. Many studies have shown that franchising benefits are the most important factors to select a franchise brand (see table 1). Benefits from franchising are key factors to purchase a franchise right (Knight, 1986). The franchising benefit package is what the franchisee gets from purchasing a franchise right, such as, a right to use a franchise brand name, provided training course, or operational methods.

Personal feeling plays important role in the franchisee selection toward franchise brand. Gauzente found that many franchisees select a franchise brand because of they liked about the brand (or franchisor) concept or product. Personal liking could be the reason why franchisee purchases a franchise brand (Withane, 1991). In this research, personal liking will be separated from other franchising benefits.

The framework could only be used to explain franchise brand selection criteria in the Thailand bubble tea franchise business because of the industry differences and specific environmental factors for each franchise business.

Firstly, the competitive environment could be different, due to the inequality of brand equity important to note that equity of franchise brands are not equal. Cost of franchising could play an important role if the brand equity of franchise brands is not much different. Secondly, market trends. Franchisee purchases a franchise right from the franchisor with the expectation of running a successful business. The franchisees do not want to purchase a franchise brand does not address consumers' needs. Taste, product presentation, pricing of each bubble tea franchise would be important factors in the selection of the franchise brand by potential franchisees.

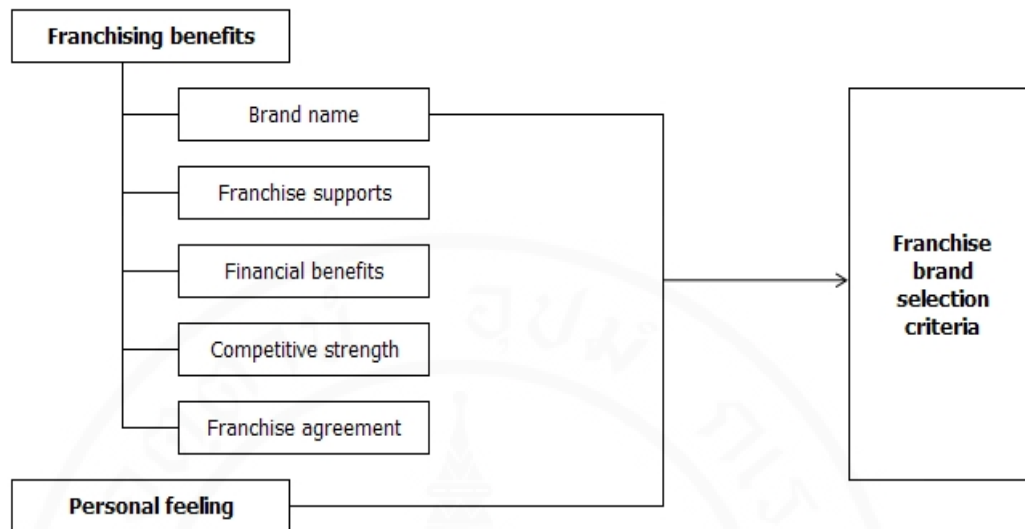


Figure 2.2: Theoretical framework

Source: Adapt from Gauzente, 2002

2.3.1 Branding

The first decision making criterion to purchase a franchise brand is brand name. Brand name is a name, word, or symbol that provides specific brand personality. Brand name is the tool for differentiating one competitor to others in the market. There are 4 attributes of brand name, which are attributing, benefit, value, and personality (Bubpa, 2005)

A strong brand name provides competitiveness in the market. Firstly, brand recognition, customers would recognize a brand from product packaging, logo, shape, etc. Customer recognition made a brand visible in the customer mind. For example, when a customer wants a hamburger, he may only think of McDonald's. Secondly, brand loyalty. The customer will buy the product repeatedly if he is satisfied with the product experience. A loyal customer will resist brand switching temptation. Thirdly, product positioning. A well-developed and promoted brand will have good product positioning. For example, Ochaya has positioned its tea as the freshest tea in the market by brewing tea at the point of sale. When a customer wants fresh tea, he will think of Ochaya tea.

Fourthly, if a brand is successful, the sub-brand derives benefits from the reputation of mother brand. Fifthly, strong brands could lead to financial advantages such as higher product pricing. The brand could become valuable because of higher

brand equity. Strong brand equity will promote sale of a brand franchise licensing arrangement to potential franchisees.

Franchisees purchase a franchise right and sell products under the franchisor's brand name. Gauzente concluded that brand reputation is the most important consideration for franchisees. Tatham, Bush, Douglass (1972) concerned that brand reputation is important. They added that brand progressiveness is important too. Franchise brand equity is most important criterion for franchisees when choosing a franchise.

From the studies of Hough (1985), Knight (1986), Peterson and Dant (1990); Withane (1991); and Guilloux, Gauzente, Kalika, and Dubost (2004). The researchers found that brand name is the first criterion that franchisee considers when he wants to enter a franchise business.

Prada and Hurbean (2009) concluded in their study that the reputation of the brand has direct influence on the franchisees' decision to choose a franchise brand. In conclusion, brand recognition/reputation affected franchisee decision making to purchase a franchise brand directly. Franchisee wants a forward-looking franchise brand with strong reputation.



Figure 2.3: Bubble tea franchise brands in Thailand

Source: google.com

2.3.2 Franchise operation support

Franchise support is the business service provided by franchisor to franchisee relating to shop setup and business operation. There are many types of support services. Location evaluation support by which the franchisor goes to the franchisee's intended shop location to analyze the business feasibility. Training support is the support that franchisor provides business and technical know-how to

franchisee. In addition, franchisor will provide other support service to franchisee as per contract agreement.

The research of Knight (1977), Peterson & Dant (1990), and Withane (1991), categorized franchise support into these 4 parts.

Firstly, start-up supports. Supports that franchisor provides to the franchisee after the purchase of franchise right. The support is to help franchisee builds the shop and to evaluate business feasibility. Generally, the support consists of shop design, sales potential analysis, equipment and material supplies. The extent of support from franchisor is determined by company policy. Secondly, On-going supports. Support that franchisor provides to franchisee after a shop has been setup. The support is to help the franchisee operating the shop smoothly. Generally, the support covers operation plan, worker training, marketing, raw material delivery, and product quality control. The support from franchisor is as per the company policy. Thirdly, training support. A support that franchisor transfers the business method and know-how to franchisee. Generally, franchisee would attend the training by himself or send a substitute. The first time training is usually for free. There may be fees for subsequent training according to franchisor policy. Training support provides brand information, core concept, and operation methodology, and product knowledge.

Fourthly, franchisor may also provide financial assistance, to franchisees in expanding business and/or operating the business. This support is an optional support of the franchisor, but not many franchisors have it. The support is to provide loan to potential franchisees who seek to expand franchise branches but lacking investment fund. Generally, franchisee uses the loan to open new shop under the same brand name.

The supports from franchisor help a franchisee to operate the business successfully. Operating a franchise business in highly competitive market is difficult. The franchisee seeks by the purchase of franchise right, to have ability to compete in a difficult market.

Franchise supports bring many benefits. Many entrepreneurs failed from the start-up phase because of they lack the experience in start a business. Many entrepreneurs failed because of inefficient operating system. They failed because poor quality products or lack of know how. Purchasing a franchise with franchise supports

is the solution for many franchisees. For a brand to expand itself through franchising, success of the business model is imperative as franchisors need to share business models and success secrets with franchisees. There are many franchise brands in the market. Choosing the brand that provides appropriate operation support is the thing most concerned by potential franchisees.

2.3.3 Financial benefit

Financial benefits receive by franchisee from a franchisor's financial health. Financial benefits in this research derive from company financial health and, company profitability.

Firstly, financial health is a state of a person or company's finances. An ability to pay debt or expenses of the company. Financial health also related to an ability to use money to cover a business plan of the company (Gauzente, 2002).

The franchising system is a system that helps a business owner, franchisor, to expand his business at low cost. A franchisor needs capital and resources to implement a franchise program. Especially for the franchisors whose plans aim at national expansion, the initial cost rises significantly, and after the marketing and personal cost are added, the amount is greater (Prada and Hurbean, 2009)

Financial performance of the franchise determines the overall performance of the whole business and the readiness to provide the promised supports. Financial performance and stability signifies overall profitability and efficient management system. Franchisee wants a franchisor who manages his money efficiently, for both taking care of a business and business development. For example, certain brand has a good product and reputation in the market, but the brand has poor financial health which means this brand does not have the money to develop the business further. In the future, this brand is going to lose to its competitiveness.

Secondly, profitability of the company. Profitability is a compound word, from the word profit and the word ability. The meaning of profitability is ability to generate profits. Profitability measured by income and expense. Income is money generated from activities of the business, and expenses are the cost of resources used by activities of the business (Hofstrand, 2009)

Profitability is the goal for every business. For franchisee, knowing an ability to generate profit from the franchise brand helps him in deciding to purchase a franchise or not. Franchisees tend to engage with franchises with highest speculated profitability using the mother brand's profitability as criterion. The profitability could come from various ways, cheap cost, high price, high sales volume, etc.

High profitability reduces the risk to lose money of the franchisee. Profitability is an ability to generate a profit from one unit of product. For example, there are two companies, company A and company B. Company A product has more profitability than company B product. Franchisee who purchases a franchise right from Company A will get more profit if the sales are equal.

In conclusion, franchisees prefer franchise brand that is well managed with high financial performance. Running the business efficiently with continuous development, as well as having an ability to generate profit.

2.3.4 Competitive strength

A competitive advantage (or competitive strength) exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself (Porter, 1998).

There are three types of competitive advantages: cost leadership, differentiation, and focus. Cost leadership is an ability to deliver a service or product that achieved the same benefits as competitors, but at the lower cost. Differentiation is an ability to deliver a service or product that exceeded the market standard, and focus is an ability to deliver the need of specific target market, such as life style².

The benefits of competitive advantage related to the company are performance, such as, the ability to generate more revenue or more profits than competitions. Competitive advantage also helped the company to survive when the global or national economic situation is not good, for example, problem with the value of money, or economic recession

² Pongwarin Tongpanchang, Competitive advantage [online], 7 July 1998, <http://www.peoplevalue.co.th/index.php?lay=show&ac=article&Id=539104334&Ntype=23>

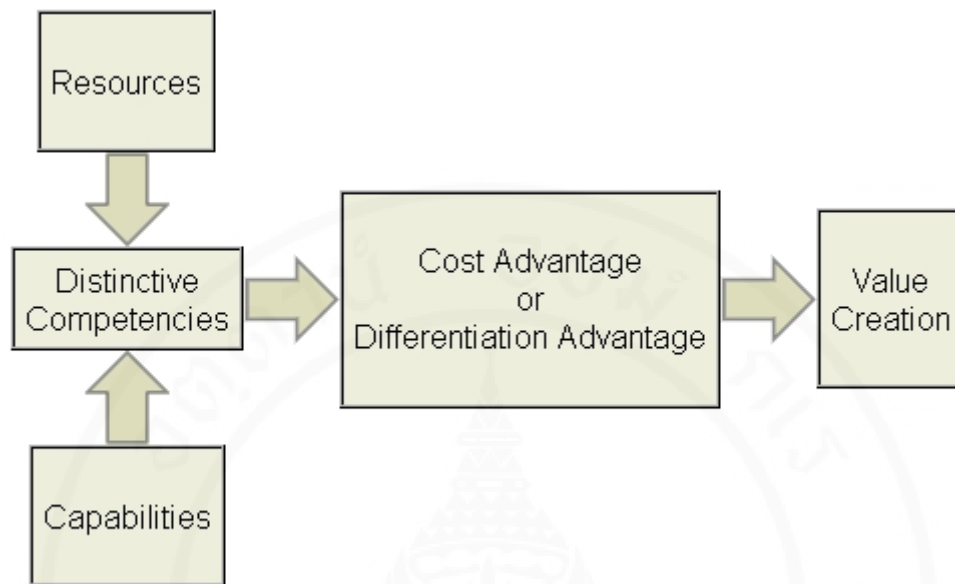


Figure 2.4: A model of Competitive advantage

Source: Porter (1998)

Franchisee wants competitive advantages to help them compete with others in the market. Tatham, Bush, and Douglass (1972) commented that the demand for franchisor's product is very important factor for decision making to purchase a franchise right. Whether the competition of market is high or not, having competitive advantages help a franchisee to sell more volume or to attract customers easier. Performance of a franchisor (including non-franchise brand in the market), and the level of market competition, are factors which franchisee will consider before purchasing a franchise right (Prada and Hurbean, 2009). In the situation where competition is high, the franchisee considers more of the competitive advantage of franchisors.

2.3.5 Franchise agreement

Franchise agreement is a legally binding agreement which outlines the franchisor's terms and conditions for the franchisee. The franchise agreement also clearly outlines the obligations of the franchisor and the obligations of the franchisee. The franchise agreement is signed at the time an individual has made the final decision

to buy the franchise. It is strongly suggested that anyone who is considering buying a franchise should consult with a professional franchise attorney (Daszkowski, 2012).

What franchisee wants from franchise agreement are the affordable cost of franchise agreement, and the fairness of franchise agreement (Tatham and Bush and Douglass, 1972; Gauzente, 2002). Firstly, the cost of franchise agreement is clearly why franchisee wants it to be cheap. Franchise agreement is one of initial investment for the franchising system, cheap franchise agreement cost means lower the cost of franchisee investment. However, the cost of franchise agreement is one way to raise the capital of franchisor. If franchisor set a franchise agreement price too low, the franchisor might have a cash flow problem in the near future. Secondly, the fairness of franchise agreement, could be related to anything in the franchise agreement, such as, fees, duration, etc. Some franchise agreements are biased to franchisor, for example, collecting very high fee as a percentage of sales, or limited freedom in operation (Tate, 2004).

Franchise fee also reflects the brand equity and services provided by the franchise brand. Usually, high brand equity franchise has higher price because of advantage in term of competitiveness. It is also true that the more services provided by franchisor, the more expensive the franchise agreement.

2.3.6 Personal feeling

Personal feeling towards franchisor is an important decision factor that Gauzente discovered by using a qualitative research method. In-depth interview encourages interviewed franchisees to express their inner feeling toward a franchise brand. The feeling toward franchisor is one of the important factors to decide to purchase a franchise right (Gauzente, 2002).

Personal feeling in the Gauzente study consists of 5 elements. Firstly, fit between franchisor culture and the franchisee personal value. Which begins with discussion about the details of franchising system and opportunity. Following the initial discussion, if the franchisee is pleased with culture or policy of the company, the way franchisor thinks. Fit becomes one of the key decision factors to purchase the franchise right. Secondly, trust in franchisor's concept. The trust derive from discussion about the competitive strength and opportunity of franchising system. Trust

can be derived from brand reputation of the franchise and the franchisor. Thirdly, trust in encountered people and good contact. The trust could occur in various ways. For example, a franchisee has a friend who is already a franchisee of a franchise brand or from a contact who is knowledgeable about one specific franchise brand. Fourthly, possibility to opening a store in the desired area. This may be an opportunity originate from the franchisor. Sometimes a franchisor would contact a location owner to open a new shop. The franchisor would suggest to a location owner that the location has a potential for franchise business. The franchisor gives a proposal to the location owner to become a franchisee of brand and in the area. Fifthly, personal liking. Personal liking could appear come from preference for taste of the product, product unique selling proposition, etc. This type of personal feeling plays an important role in the decision to purchase a franchise right.

Personal feeling is important for both the franchisee and franchisor. There are many researches which showed that good personal feeling contributes to good operating performance (Torikka and Tuunanen, 2005). Building good relationship between franchisor and franchisee helps to sustain the franchise business.

2.3.7 Franchise brand selection criteria

Franchisee select franchise brand for many reasons. When a franchisee selects the franchise brand, he wants to make sure that he is doing the right business. The selection criteria are the tools to help the franchisee to choose the desired brand to cooperate with.

The benefits of choosing a good brand to cooperate with are, firstly, the performance of franchise brand. Franchisee wants the franchisor to help him standardized product and methodology for smooth operation. Secondly, anticipated profit. The money that franchisee expects when he purchases a franchise right. A good franchise brand with competitive advantage and high profitability helps the franchisee to achieve the profit goal easier. Finally, franchisee satisfaction. It is a indirect benefit from choosing the right brand. Satisfaction could derive from the success of the business and financial gain (Tate, 2004).

For the franchisor, signing up a franchisee helps to expand the franchise business. The nature of franchising system is relationship between franchisee and

franchisor. In business development, franchisor will set a vision, goal, business concept, etc, while franchisee helps in expanding the business geographically and increase brand name awareness. Revenue of franchise company comes from two sources: franchisor owned shops, and franchisee shops. Franchisor receives revenue from sales via a shop (collects a percentage of franchisee's revenue). The second way is from sell their products to the franchisees in the network and customers.

Both ways of generating profit by franchisor come from the franchisee. Thus, the more franchisees a franchisor has, the more revenue income. In conclusion, the franchise selection criteria study is beneficial to franchisee and franchisor.

2.4 Literature review relating to the franchisee decision making to choose a franchise brand

This section shows past research studies related to franchisee decision making criteria for choosing a franchise brand. The researcher intends to show the methodology of each research and the results of the studies.

Ronald L. Tatham, Ronald F. Bush, and Robert Douglass (1972) studied an analysis of decision criteria in franchisor/franchisee selection process. The intention of the study was to rank the priorities of criteria used by franchisee and franchisor. The research was conducted by using a mail survey, quantitative method, targeted 22 franchisors and 22 franchisees in Tuscaloosa, Alabama. The researchers concluded that the criteria used by franchisors are 1) Credit and financial standing, 2) Intention to operate of the franchisee, 3) Past work experience, 4) Personality, especially an ability to meet the public and win respect, 5) Health, 6) Educational background. For franchisees ranking, 1) Capital requirement, 2) Franchisor's agreement "fairness", 3) Franchisor's demonstrated profitability, 4) Franchisor's reputation and progressiveness, 5) Franchisor's training program, 6) Recognized demand for franchisor's product. In addition, researchers concluded that what franchisees want are profit and market potential.

Pornsawan Wongkanchanakul's (2000) study, "An empirical analysis of Franchise System in Thailand focused on case study of Pizza Public Co.,Ltd. success franchisee in Thailand", commented that franchisees selected the franchise brand by

using 2 reasons: Firstly, individual needs, brand characteristics, and consumer demographics are related to the individual needs. Secondly, environment, the consumer's culture, and marketing from the part of the consumer's environment. From the above reasons, franchise will acquire information, evaluating brands, and make decision to select a brand.

Barbara Beshel is (2001) wrote a book named "An introduction to franchising" supported by International Franchise Association. Barbara concluded that the criteria for selecting a franchise are; 1) Cost, 2) Franchisee's ability, 3) Product demand, 4) Market competition, 5) Brand name, 6) Training and supports, 7) Expansion plan.

Scott Weaven's (2004) study on the franchise selection criteria of franchisee, "A case study of McDonald's". The study is to find out the reasons why McDonald's franchise is popular among potential franchisees. The researcher used a qualitative method to study this subject, with anonymous target interviewees. The research showed that franchise selection criteria are; 1) Marketing benefits such as brand name and reputation, popular store design, location evaluation service, and supports from franchisor, 2) Financial benefits, such as competitive advantages (cost leadership in this case), and profitability. The paper suggested that personal experience also influenced the decision making to choose a franchise brand.

S. Prada and C. Hurbean (2009) studied on franchise in the fast-food industry, "Support for Development and Promotion of Multinational Affairs on the Romanian Market". The study analyzed the, the situation, opportunity, and the evolution of franchise market in Romania. The research concluded that the factors to choose a specific franchisor are 1) The franchise cost, 2) Income result from investment, 3) Trends and market conditions, 4) Financial strength of franchisor. In addition, the researchers found that franchisees selected franchisors evaluating the size of franchisor organization, the number of franchise units opened, the history and appearance of the prototype unit, and the franchisor's investment in advertising.

2.5 Conceptual framework of this study

The purpose of this study is to find and rank the franchise brand selection criteria of bubble tea franchisor. The research model is to study and understand the selection choice of franchisees.

The researcher needs to combine the research model of Gauzente (2002) qualitative methodology with related researches. The result of Gauzente's study shown different levels among the criteria, for example, trust in franchisor's concept is a subtopic of personal feeling category whilst brand name is a category in itself. Thus, the researcher combines and groups the criteria into the same level using past related researches to complement the Gauzente's research model for the study of selection criteria in the bubble tea franchise business.

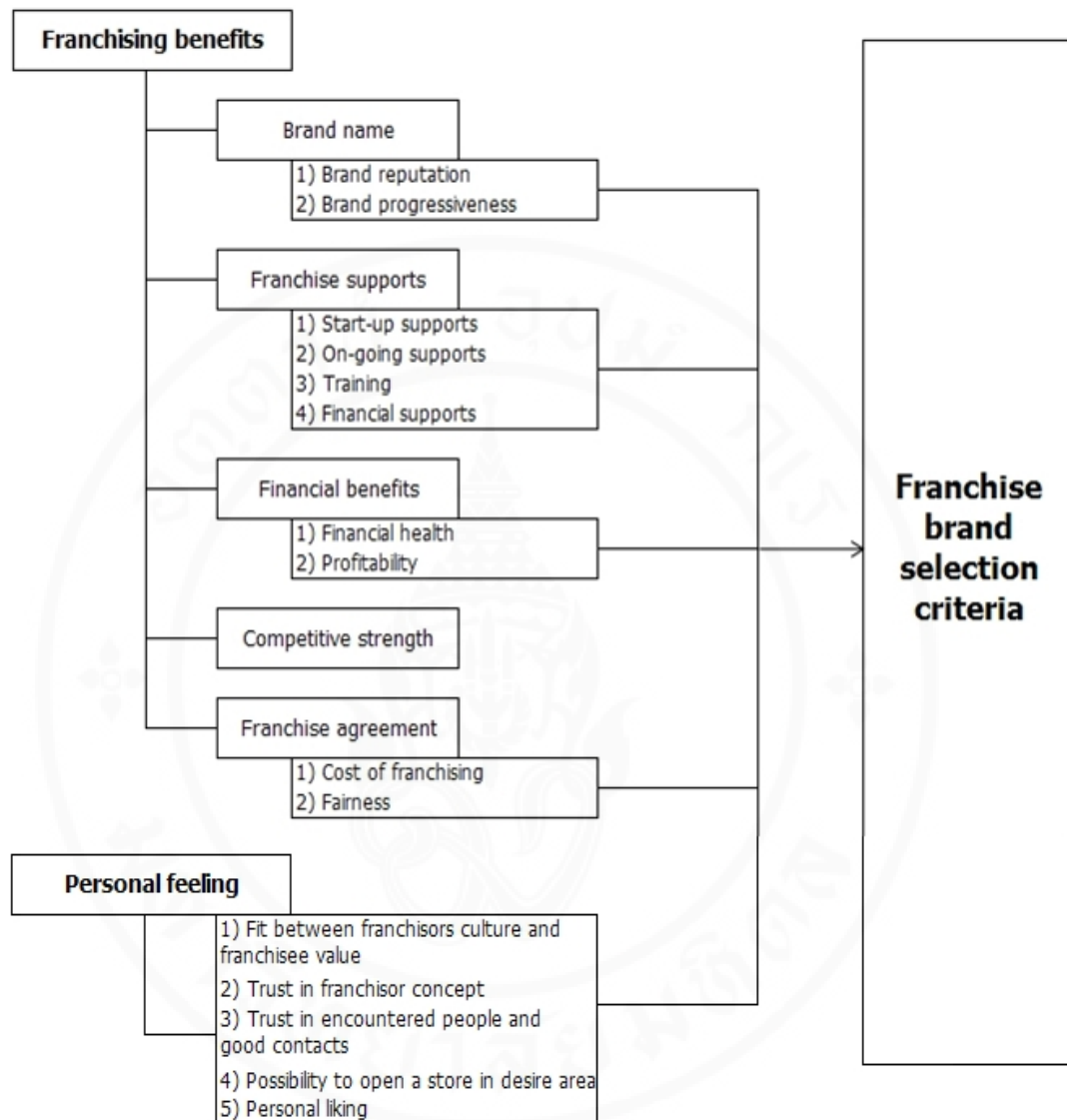


Figure 2.5: The study framework of “Understanding Franchise Brand Selection Criteria, a case study of Bubble Tea Franchise Industry in Thailand”

CHAPTER III

RESEARCH METHODOLOGY

The previous chapter reviewed and discussed about the relevant literatures, bubble tea franchise market overview, and the origin, the concept of the conceptual framework. The research methodology in this chapter, will address the methods to achieve the research objectives. The chapter is structured into four sections; Scope of the study, Sample plan, Instrument, and Data analysis.

3.1 Scope of the study

The interview will conduct on the sample target interviewees who are the bubble tea franchisees. The interview questionnaires have been designed carefully to find out the motivations to become a franchisee, by letting interviewees express their experience and feeling. The interviews conducted from July to August 2013, mainly in the Bangkok area.

The objective of interview is to gather information on decision making factors to become franchisees from the interviewees. The data will allow the researcher to analyze their motivations. The main discussion would focus on finding out motivations to become franchisee, correcting the conceptual framework, finding whether environment has any effect on motivations.

The interviewee will be selected from a population of 146 franchisees from four bubble tea franchise brands operating in Bangkok. The inclusion criteria for choosing bubble tea franchise brands are;

- Ochaya (55 branches), the best known franchise brand with the highest franchise fee.
- Mochi tea (20 branches), a well known franchise brand with average franchise fee.

- Chewing tea (18 branches), a well known franchise brand with low franchise fee.
- TeaO (11 branches), a new franchise brand with average franchise fee.

Interviews will be conducted with 5 franchisees from each brand, total of giving 20 random franchisees. The results of the interviews will be analyzed and summarized in later chapter.

3.2 Sampling plan

The fundamental objective of a research is to collect and analyze reliable and accurate information. Therefore, the representativeness of the sampling population is a key issue. The research has selected the qualitative methodology. Interview will be the method to gather information for this research study. The results will be from analyzing the discussions.

The quality of interview data will be maintained by several means. First, the researcher develops the interview guideline during several working sessions. The sessions clarify the objectives and types of open-ended questions to be used. Once the first step has been completed, the researcher then conducts the interviewing. The interviews will recorded for later analysis.

3.2.1 Defining target sample population

The targeted sample population refers to the selected target group relevant to the research. The target group has certain information the research project intends to collect (Malhotra et al., 2001). The target population primarily consists of bubble tea franchisees in Bangkok. The researcher will contact the target group by using e-mail or phone call. The interview date and location will be decided based on mutual convenience of the interviewer and the interviewee.

3.3 Instrument

Open-ended questions will be asked by the interviewer. The interviewee gives precedence to interviewees experiences, and motivations, letting them tell their

stories and guide them sometimes so that the discussion does not deviate from the research objective.

The interviewee's personal information such as, age, occupation, and gender will be collected for use in the analysis.

3.4 Data analysis

Data analysis using the “Noticing, Collecting, and Thinking theory” of John V. Seidel (1998). Theory suggests that qualitative data analysis is non-linear. When doing qualitative data analysis, researcher does not simply notice, collect, and think about things, and then writes a report. Rather, the process has the following characteristics;

- **Iterative and Progressive:** The process is iterative and progressive because it is a cycle that keeps repeating. For example, when you are *thinking* about things you also start *noticing new things* in the data. You then *collect* and *think* about these new things. In principle the process is an infinite spiral.
- **Recursive:** The process is recursive because one part can call you back to a previous part. For example, while you are busy *collecting* things you might simultaneously start *noticing* new things to *collect*.
- **Holographic:** The process is holographic in that each step in the process contains the entire process. For example, when you first *notice* things you are already mentally *collecting* and *thinking* about those things.

Thus, while there is a simple foundation to qualitative data analysis, the process of doing qualitative data analysis is complex. The key is to root yourself in this foundation and the rest will flow from this foundation (Seidel, 1998). The theory will be used in data analyzing for this research to find the answers behind the stories of interviewees.

3.5 Key Interviewees

Researcher interviewed 20 franchisees from 5 targeted franchise brands. They are 5 male interviewees, and 15 female interviewees with an average age of 30 years old. Most of the interviewees are salary person-franchisee, who opened a store while working as a salary person or as civil servant. The information about key interviewees are shown below;

Table 3.1: Key interviewee information

Name	Age / Gender	Year(s) in business	Shop location
Ochaya 1	32 / Female	2 years	Bangchak
Ochaya 2	28 / Male	5 days	Bangna
Ochaya 3	37 / Female	1 year	Ekkamai
Ochaya 4	33 / Female	1 year	Ngamwongwan
Ochaya 5	35 / Female	8 months	Saladang
TeaO 1	25 / Male	1 year	Saladang
TeaO 2	27 / Male	1 year	Ngamwongwan
TeaO 3	28 / Female	1 year	Rama 3
TeaO 4	30 / Female	1 year	Asiatique
TeaO 5	30 / Female	1 year	Siam
Mochi Tea 1	33 / Male	2 months	Changwattana
Mochi Tea 2	29 / Female	7 months	Siam
Mochi Tea 3	28 / Female	8 months	Ratchayothin
Mochi Tea 4	28 / Female	1 year	Rangsit
Mochi Tea 5	34 / Male	1 year	Century
Chewing Tea 1	26 / Female	5 months	Sathorn
Chewing Tea 2	35 / Female	1 year	Victory Monument
Chewing Tea 3	27 / Female	7 months	Bangna
Chewing Tea 4	28 / Female	1 year	Rama 3
Chewing Tea 5	27 / Female	1 year	RBAC

3.6 Operational definition

Operational definition is the guideline in understanding franchise brand selection criteria.

Table 3.2: Operational definition

Factors	Definitions
Franchising benefits	Franchising benefits refer to the benefits that franchisee needs when purchasing a franchise right, comparing to the other brands in the franchise market.
Brand name	<p>Brand name refers to the direct and indirect benefits that franchisee sets from established franchise brand of franchisor.</p> <ul style="list-style-type: none"> • Brand reputation refers to benefits from positive reputation or high brand awareness of a franchise brand. • Brand progressiveness refers to benefits from a franchisor's motivation to develop and to growth the company, including the franchisor's business plan.
Franchise support	<p>Franchise supports refer to supports provided by franchisor to franchisee. The support could be with or without conditions.</p> <ul style="list-style-type: none"> • Start-up supports refer to supports that franchisor provides for franchisee to start a business. • On-going supports refer to supports that franchisor provides for franchisee to operating a business.

Table 3.2: Operational definition (cont.)

	<ul style="list-style-type: none"> • Training refer to supports that franchisor provides to franchisee in franchising know-how and operational methods of franchise company. • Financial supports refer to supports that franchisor provides monetary support to franchisee with or without conditions.
Financial benefits	<p>Financial benefits refer to a direct and indirect benefits that franchisee sets from franchisor’s financial status and financial performance.</p> <ul style="list-style-type: none"> • Financial health refers to benefits that franchisee gets from franchisor’s financial status. • Profitability refers to benefit that franchisee gets from a franchise product’s ability to generate a profit.
Competitive strength	<p>Competitive strength refers to a direct and indirect benefit that franchisee gets from franchise brand’s competitive performance and status in the current market situation.</p>
Franchise agreement	<p>Franchise agreement refers to agreement made between specific franchisor and franchisor, the document contains a relationship and right authority of franchisee under the franchise brand.</p>

Table 3.2: Operational definition (cont.)

- Cost of franchising refers to a price of franchise agreement, including the franchise related payment for start-up a business.

- Fairness refers to proper, appropriate, or unbiased details of franchise agreement.

Personal feeling

Personal feeling refers to a franchisee's positive individual feeling towards a franchise brand or franchisor related factors that influenced a franchise brand selection.

- Fit between franchisor culture and franchisee value refers to a positive feeling towards franchisor of a franchise brand which come from a compatible of value and culture.

- Trust in franchisor concept refers to a positive feeling toward franchisor which comes from a trust in the franchisor concept or business plan.

- Trust in encountered people and good contact refers to positive feelings toward a franchise brand which comes from encouragement of the people who have experience in.

- Possibility to open a store in desired area refer to an opportunity to do a business offered by franchisor to start a business in own location or targeted location.

Table 3.2: Operational definition (cont.)

- Personal liking refer to a individual positive feeling towards a franchise brand or product, could be reasonable or unreasonable.

Franchise brand selection criteria

Franchise brand selection criteria refer to factors influencing a franchisee to select a franchise brand.

CHAPTER IV RESULT

This chapter concerns the conceptual model in chapter 2, expands the theory by using in-depth interview to fulfill and gather more information to complete the theory. Picture/ Schematic Mapping below showed the franchise selection criteria gathered from the selected interviewees.

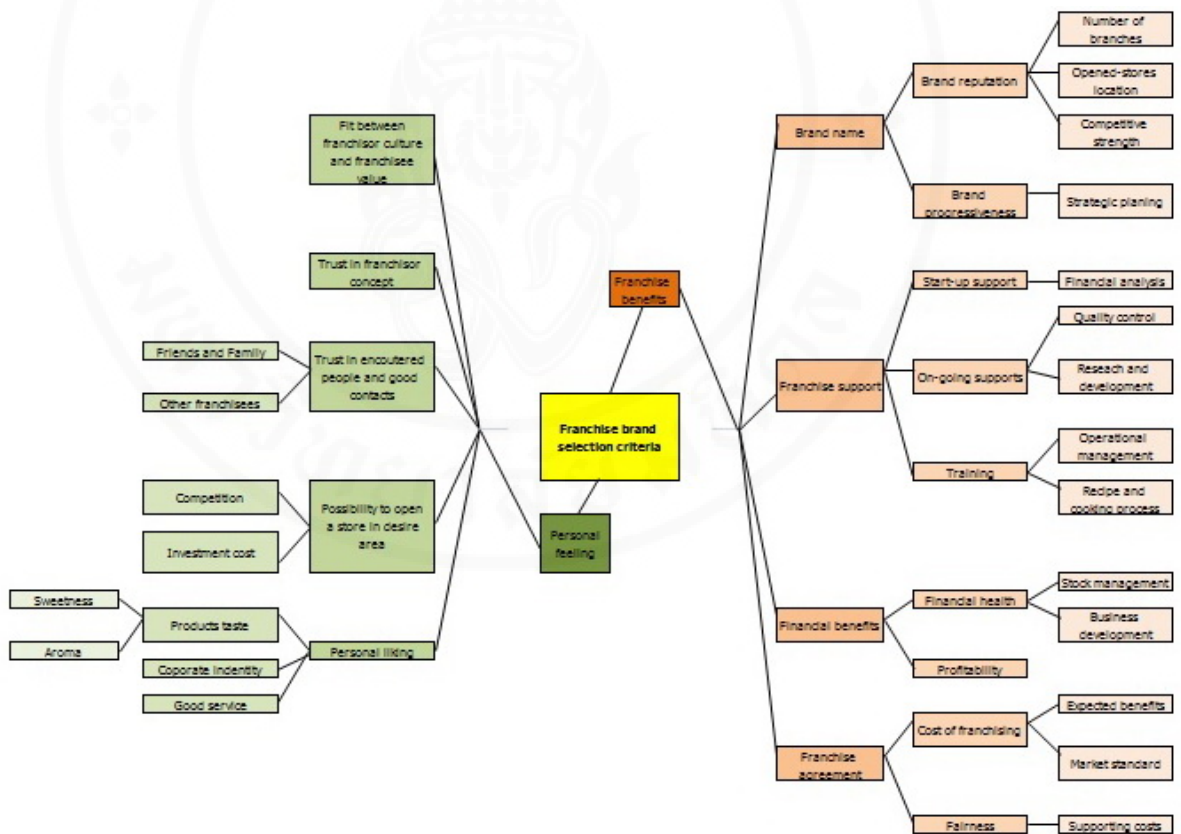


Figure 4.1: The result of study in Understanding Franchise brand selection criteria, a case study of bubble tea franchise industry in Thailand

4.1 Franchise brand selection criteria



Figure 4.2: The result of study of 'Franchise brand selection criteria' in Understanding Franchise brand selection criteria, a case study of bubble tea franchise industry in Thailand

The research found that the reasons for choosing a franchise brand could be grouped into two main criteria, which are franchise benefit and personal feeling. Franchise benefits are benefits from franchising company provide by franchise brand which is external factor. The franchise benefits are advantage of franchising over opening own business. Personal feeling is inner motivation or satisfaction of franchisee toward franchise brand which affected the decision making of franchisees to choose a franchise brand.

4.2 Franchise benefits

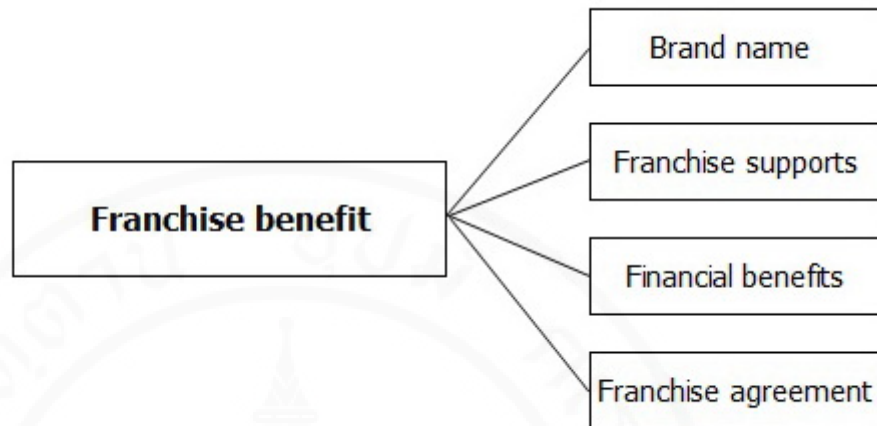


Figure 4.3: The explanation of ‘Franchise benefit’ criteria in Understanding Franchise brand selection criteria, a case study of bubble tea franchise industry in Thailand

Franchise benefits could be dividing into 4 parts, which are: Brand name, Franchise supports, Financial benefits, and Franchise agreement.

4.2.1 Benefit from franchise brand name

Benefits from franchise brand name are exact. Many books and research papers have proven that a strong brand name provides advantage over a new comer brand¹. Since the franchisee is the one who seeks a competitive derived from the franchise over opening own business from scratch, he/she will choose the brand that provides benefits straight for his/her needs. However, the need from branding is different for each individual. The information gathered is to explain why the brand name is an important criterion for choosing a franchise brand.

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¹ Marvin B. Lieberman, David B. Montgomery, Strategic management journal, Volume 9, Issue Special Issue: Strategic content research (summer, 1988), 41-58.

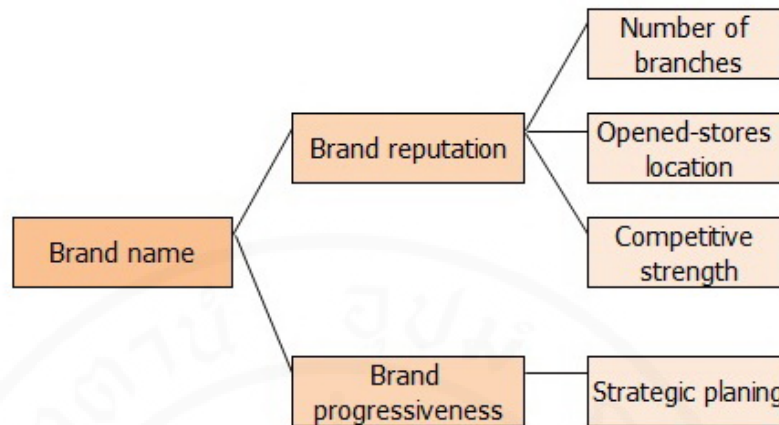


Figure 4.4: The explanation of ‘Brand name’ criteria in Understanding Franchise brand selection criteria, a case study of bubble tea franchise industry in Thailand

The findings for the topic of brand name benefits from the interviewees are tabled in Table 5.

Table 4.1: The opinions toward ‘Brand name’ criteria of franchisees

Topics	Participants Findings
Brand reputation	<ul style="list-style-type: none"> <li data-bbox="724 1218 1366 1413">▪ The number of stores makes consumer aware of the brand name, and that helps us when they want to choose between two brands. (Ochaya 1) <li data-bbox="724 1435 1366 1581">▪ Number of stores reflects the performance and potential of the franchise brand. Consumers strong brand name. (Ochaya 2) <li data-bbox="724 1603 1366 1850">▪ Strong brand reputation is a competitive advantage. It helps us in term of beginning new business, because consumers choose to drink their favorite brand over the new brand. (Ochaya 2) <li data-bbox="724 1872 1366 2020">▪ Famous brand has an advantage. Customer prefers the brand that has a reputation instead of trying some unknown brand. (Ochaya

<p>Brand progressiveness</p>	<p>4)</p> <ul style="list-style-type: none"> ▪ Many branches mean a possibility to deliver a value to customer, and once they satisfied they will loyal to the brand and it benefit for the whole franchise system. (Ochaya 4) ▪ The location of the store is important. If the brand could open a store in well-known location, it could increase a reputation which builds a confidence to consumer. (Ochaya 4) ▪ There are too many brand presently, a familiar brand name will be the top choice for consumers. (Ochaya 5) ▪ Open in well-known place could build a reputation easier, and that reputation helps all the branches under the same brand. (Mochi Tea 1) ▪ Customer chooses a familiar brand when they want to drink. (Mochi Tea 4) ▪ Strategic planning is important, since doing a franchise means operating business together. What the franchisor do or plan related to the development of franchisee and franchise brand as well. (Ochaya 4) ▪ Planning is important because of doing a franchise have a risk. If franchisor end, we also in the hard place as well. (Mochi Tea 5)
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4.2.2 Benefit from franchise supporting

Franchise supports are always in the top five needs of franchisee (see table 2). One of the reasons why franchisee purchases a franchise right is the knowledge and the assurance over starting one’s own business (Knight, 1986). Most of the franchisees

in this research are new franchisees. They never been in a franchise business before. They do not have experience operating business. This research gathers and lists the supporting needs of franchisees in the figure 14.

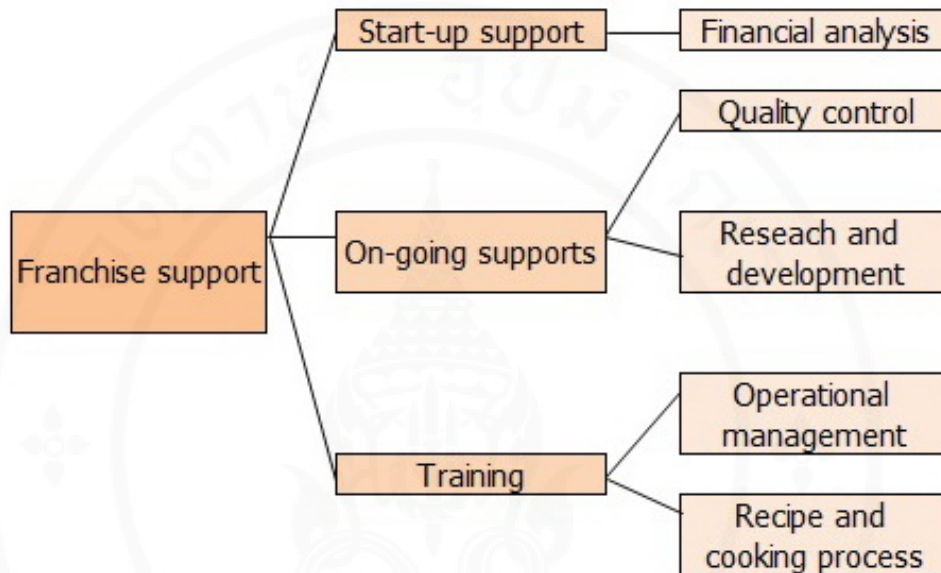


Figure 4.5: The explanation of ‘Franchise support’ criteria in Understanding Franchise brand selection criteria, a case study of bubble tea franchise industry in Thailand

The findings for franchise supports from the interviewees are shown in the Table 6.

Table 4.2: The opinions toward ‘Franchise support’ criteria of franchisees

Topics	Participants Findings
Financial analysis	<ul style="list-style-type: none"> <li data-bbox="722 398 1366 488">▪ Location analysis helps a lot in term of calculating payback period. (Ochaya 2) <li data-bbox="722 510 1366 763">▪ Company financial analysis makes the investment decision making a lot easier, calculating how much investment we should spend in this place. (Ochaya 5) <li data-bbox="722 786 1366 981">▪ New comers never know when you got your money back but company’s experience could calculate the payback period for franchisee. (TeaO 1) <li data-bbox="722 1003 1366 1198">▪ Franchisor will calculate the profitability of possible location for franchisee and that makes franchisee decision making easier. (TeaO 2) <li data-bbox="722 1220 1366 1310">▪ Financial analysis is an assurance of franchisor. (TeaO 3) <li data-bbox="722 1332 1366 1480">▪ Financial analysis support is needed for advance planning for operational management. (Mochi Tea 5)
Quality control	<ul style="list-style-type: none"> <li data-bbox="722 1552 1366 1747">▪ Having quality control for franchisees is a huge advantage since most of franchisee didn’t operate a business by themselves, so they can’t control product quality all the times. (Ochaya 5) <li data-bbox="722 1769 1366 1964">▪ Franchisee cannot trust on some employee, we don’t know when they will destroy us by working perfunctory. Quality control is important in this case. (TeaO 1) <li data-bbox="722 1986 1366 2027">▪ Quality control relieves franchisee work

<p>Research and development</p>	<p>a lot, so franchisee could focus on other things. (TeaO 2)</p> <ul style="list-style-type: none"> ▪ Bad reputation of one branch causes another, having quality control could help franchisee in this case. (TeaO 4) ▪ Research and development are important in terms of new products launching. Franchise brands have to keep launching new products to acquire new customers. (Ochaya 5) ▪ Having a franchise brand to launch a new product helps franchisees focus on operating the business. (Mochi Tea 3)
<p>Stock management</p>	<ul style="list-style-type: none"> ▪ Franchisees don't know how to start or operate a business. Having a franchise brand teaching this kind of thing is a shortcut. (Ochaya 2) ▪ Management is a very important thing and we might spend a lot of time learning it. Every franchisee loves to have a shortcut from experienced franchise brands. (TeaO 1)
<p>Recipe and cooking process</p>	<ul style="list-style-type: none"> ▪ This is the core of this kind of business. (Ochaya 1) ▪ Franchise recipes are different for each franchise brand and we pay for the taste we like. (Ochaya 2) ▪ Taste is the core of this business. Franchisees want the franchise brand's taste, so we buy from them. (Ochaya 3) ▪ A recipe is the secret of success for a brand.

	<p>(Ochaya 5)</p> <ul style="list-style-type: none">▪ Recipe is one of the main purpose we bought a franchise right. The franchise brand success could prove the worth of recipe. (TeaO 2)▪ Franchise recipe is different for each franchise brand and we pay for the taste we like. (TeaO 3)▪ Franchise brand take a lot of time to invent the special recipe which make them success in the market. That's the reason franchisee wants them. (TeaO 4)▪ We could adapt a taste as we like, but firstly we have to set our standard, and that standard is the recipe from franchise brand. (TeaO 5)▪ Recipe is the core of this kind of business. (Mochi Tea 2)▪ Half of the reason for franchisee of bubble tea franchise brand bought a franchise right is to acquire franchise secret recipe which reduced times of taste researching by ourselves. (Mochi Tea 3)▪ Franchisee doesn't know what taste consumer like. Recipe of franchise brand that success in the market already is a short cut for us. (Mochi Tea 4)▪ Taste is what consumers seek and expect, and we must take a lot of times to copy them. So that's why franchisee wants a recipe from franchise brand. (Chewing Tea 1)▪ Franchisee wants a shot cut to successful
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	<p>product taste. (Chewing Tea 2)</p> <ul style="list-style-type: none"> ▪ Franchisee doesn't know what taste consumer like. Recipe of franchise brand that success in the market already is a short cut for us. (Chewing Tea 3) ▪ Before franchisee could adapt a taste as we like, franchisee must have a standard products which could make a business run. Franchise recipe could make it easier. (Chewing Tea 5)
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4.2.3 Company financial benefits

Company financial benefits are very important since running a business is to have financial gains. Ability to make money, to have good profit margin, and to have good financial health is important for any business. Franchisee could have good business performance depending on the situation and his decision making. This research gathered the opinions and reasons on the importance of financial benefits of franchise brand that affect the franchisee's decision making to purchase a franchise right.

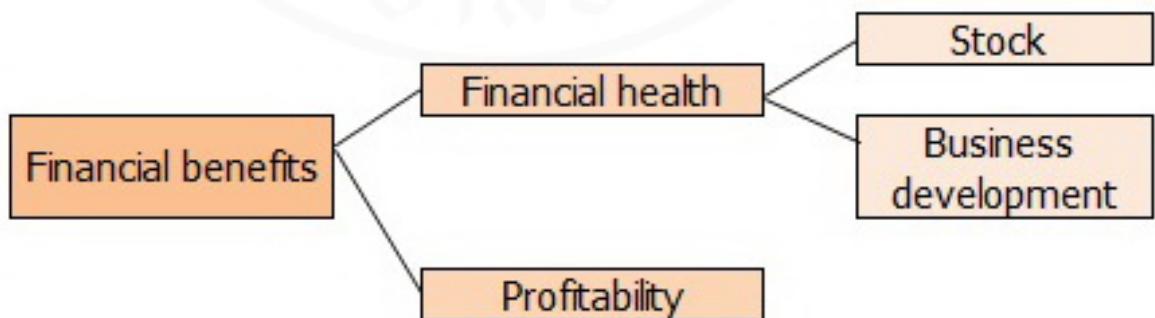


Figure 4.6: The explanation of ‘Franchise benefits’ criteria in Understanding Franchise brand selection criteria, a case study of bubble tea franchise industry in Thailand

The findings for the topic of financial benefit from the interviewees are shown in Table 7.

Table 4.3: The opinions toward ‘Franchise benefits’ criteria of franchisees

Topics	Participants Findings
Stock	<ul style="list-style-type: none"> <li data-bbox="724 568 1366 819">▪ Financial health of the company must be good, because franchisee have to buy ingredients from them, and if they cannot supply and ingredient to us, it must be the end of the franchise system. (Ochaya 2) <li data-bbox="724 898 1366 1037">▪ Franchise brand must have money enough to supply and delivery ingredients and machine for us all. (Ochaya 3) <li data-bbox="724 1061 1366 1312">▪ Franchisee uses ingredients from franchise brand to operate the business, and one day, if they could not prepare the ingredient for us. We must find new source of ingredient which might cause us some problem. (TeaO 2) <li data-bbox="724 1337 1366 1476">▪ They must have enough stock for all of their franchisees, if not, we franchisee cannot operate the business. (Chewing Tea 2)
Business development	<ul style="list-style-type: none"> <li data-bbox="724 1554 1366 1805">▪ Growth of franchise brand is growth of franchisee. Franchisee better choose the brand that keep developing their business because of it is benefit to the whole franchise system. (Ochaya 2) <li data-bbox="724 1830 1366 1968">▪ It is like having someone helping you do a business, your reputation and performance could growth by doing nothing. (Ochaya 5) <li data-bbox="724 1993 1366 2029">▪ There is very high competition in the

Profitability	<p>market presently, the one without development could not survive. (TeaO 3)</p> <ul style="list-style-type: none">▪ Franchisee has to improve yourself, and also with franchise brand, working together and the performance will be double. (Mochi Tea 2)▪ Nice vision and development of the brand, I believe in the potential of this brand in the future. (Mochi Tea 4)▪ High profit margin, that is mean we could get more money from it. (TeaO 1)▪ Lower cost is better, we could sell a same quality product compared to our competitors at the lower price. (TeaO 2)▪ Bubble tea is high competitive market, and we cannot raise product price easily, so the way we prefers is lower products cost. (TeaO 5)▪ Some location cannot sell a large amount of quantity, so that profit margin is important to franchisee. (Mochi Tea 2)▪ Everyone prefers high profit margin over low profit margin. (Mochi Tea 3)▪ Some location could not have a large amount of customer, low cost help us gain higher return. (Mochi Tea 4)▪ Franchisee cannot raise product price freely so lower cost means higher return compared to the others. (Chewing Tea 2)▪ Franchisee wants to get money as much as possible Low cost franchise brand is the way to generate more money without harm. (Chewing Tea 4)
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4.2.4 Franchise agreement

Franchise agreement is the document that franchisee has to sign before operating a franchise business. Franchise agreement contains information about franchising cost, contract period, general promises, and other fees. Generally franchise contract period is 1-2 years depending on franchise brand. In this part, of the research, information gathered by in-depth interview on how franchisees’ opinions on franchise agreement and which points they focus before making decision to purchase a franchise right.

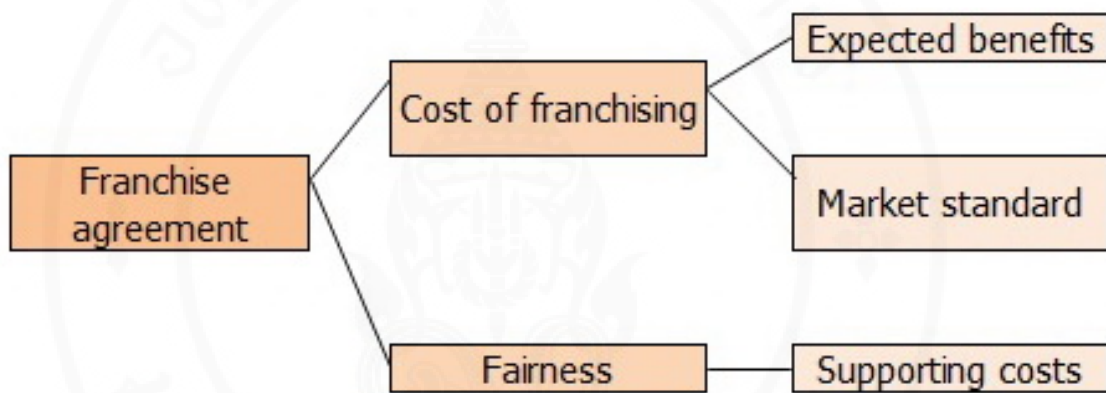


Figure 4.7: The explanation of ‘Franchise agreement’ criteria in Understanding Franchise brand selection criteria, a case study of bubble tea franchise industry in Thailand

The findings for the topic of franchise agreement from the interviewees are shown in Table 8.

Table 4.4: The opinions toward ‘Franchise agreement’ criteria of franchisees

Topics	Participants Findings
Expected benefits	<ul style="list-style-type: none"> <li data-bbox="724 1675 1370 1825">▪ There are different in franchise brand performance for each brand. It is normally, you pay more to acquire stronger brand. (Ochaya 2) <li data-bbox="724 1839 1370 1989">▪ Franchisee buy benefits from franchise brand, so the stronger franchise brand is, the more money franchisee has to pay. (Ochaya 4)

	<ul style="list-style-type: none"> ▪ It is according to franchisee needs, purchasing a strong brand made things easier than purchasing a normal brand. However, purchasing a strong brand also cost franchisee a lot compared to purchasing a normal brand. (Ochaya 5) ▪ Franchisees have to think about what are we really want from franchise brand. If we want more, we have to pay more. There are different in any franchise brand. (TeaO 2) ▪ Franchisee is buying an instant business from franchise brand, and the price is depends on the performance of the franchise brand. (TeaO 5) ▪ Doing franchise business has some advantage over open your own business. Franchise brand has built their performance and reputation already, and we pay for that. (Mochi Tea 2) ▪ The characteristic of franchise brand is important. Franchisee have to concern on target market before purchasing a franchise right. (Chewing Tea 4) ▪ Some franchise brand is too expensive compared to the other, and I thought that we do not have to pay that large amount of money to acquire what we want. (TeaO 1) ▪ Franchisee pay for what they want, but sometimes the price is too high to accept. (TeaO 2) ▪ It is better brand, yes, but we could use the gap between the price of top brand and the
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<p>Market standard</p>	<p>price of normal brand to do another things benefit to us. (TeaO 3)</p> <ul style="list-style-type: none"> ▪ Too high price is unbearable, sometimes we, franchisee, does not want to spend that much of money for acquire franchise brand alone. (TeaO 5) ▪ Top brand and normal brand have different value, acquiring top brand is better than normal one, but that does not mean we, franchisee, want to pay much more to acquire top one. (Mochi Tea 1) ▪ Cost of franchising is very important. For me, I prefers normal one with a market cost and makes it better by my own. It cost us lower than buying a top one. (Mochi Tea 2) ▪ Location is much more important, I prefers standard cost brand because there is no competitor in this area. (Mochi Tea 3) ▪ Sometimes the price of franchise brand is not reasonably. The high price one is a top brand with good performance, but that does not means price of franchise brand could far more than normal one. (Mochi Tea 4) ▪ Everything has its par value, and in my opinion we do not have to pay over the par value to acquire a little bit better brand. (Mochi Tea 5) ▪ If it is too expensive. We could use that money to do other thing benefits to us actually. (Chewing Tea 2) ▪ Sometimes franchisee does not want to pay a large amount of money to acquire a high price franchise brand when we know the market
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<p>Proportional benefit</p>	<p>price. (Chewing Tea 3)</p> <ul style="list-style-type: none"> ▪ Too expensive compared to the others is unbearable. (Chewing Tea 5) ▪ Proportional benefit is important. It is franchise brand intention toward their franchisee. It is unacceptable if the franchise brand collect too much benefit from franchisee. (Ochaya 2)
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4.3 Personal feeling

Personal feeling in this research paper could be categorized into 5 factors, which are Fit between franchisor culture and franchisee value, Trust in franchisor concept, Possibility to open in desire area, Trust in encountered people and good contacts, and Personal liking.

4.3.1 Fit between franchisor culture and franchisee value

Fit between franchisor culture and franchisee value is the positive personal feeling of franchisee towards a franchisor after they have discussed about business cooperation. This research intends to find out how personal feeling affects the decision to purchase a franchise brand.

From the research, the researcher found that fit between franchisor culture and franchisee value is not the main criterion in choosing a franchise brand. Only two from twenty target samples thought that culture and value of franchisor and franchisee value had influence on purchasing franchise right. The information gathered is shown in Table 9.

Table 4.5: The opinions toward ‘Fit between franchisor culture and franchisee value’ criteria of franchisees

Topics	Participants Findings
Fit between franchisor culture and franchisee value	<ul style="list-style-type: none"> <li data-bbox="724 461 1362 656">▪ I like the culture of working of this franchisor. He has a vision, always active, and looks forward to develop the business to become stronger. (Ochaya 1) <li data-bbox="724 678 1362 824">▪ He’s a vision man. His characteristic is polite but ambitious, and that makes me felt easy to exchange knowledge with him. (Mochi Tea 1)

4.3.2 Trust in franchisor concept

Trust in franchisor concept is a positive personal feeling of a franchisee towards a franchisor after they have conversation about how franchisor proceeds to plan and to develop a business. Positioning and focus point of franchise brand are also concerned in this topic. This research intends to find the effect of this criterion in influencing decision making of choosing a franchise brand.

The finding as “Fit between franchisor culture and franchisee value”, only two of twenty target samples had discussed about concept or business plan of the franchise brand before making decision to purchase a franchise right. The information gathered will be shown in a Table 10.

Table 4.6: The opinions toward ‘Franchise agreement’ criteria of franchisees

Topics	Participants Findings
Trust in franchisor concept	<ul style="list-style-type: none"> <li data-bbox="724 1615 1362 1816">▪ The franchise brand purpose is to acquire more franchisees as many as possible, and that help spreading the brand reputation to the location we never have been. (Ochaya 4) <li data-bbox="724 1839 1362 1984">▪ The franchise brand plan is to compete by quality and taste of the product, while gave a freedom to adapt to franchisee. (Mochi Tea 5)

4.3.3 Trust in encountered people and good contacts

Trust in encountered people and good contacts are the support from friends and family members, and other franchisees that a franchisee contacted. The researcher intends to find the effect of this factor towards choosing a franchise brand in the bubble tea business. The information gathered from in-depth interview is shown in Figure 17.

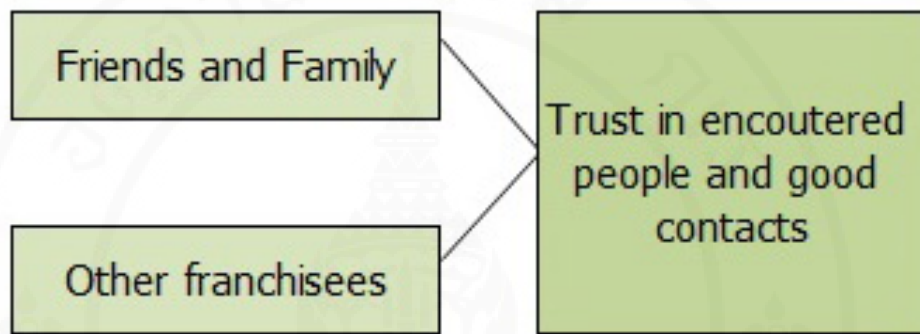


Figure 4.8: The explanation of ‘Trust in encountered people and good contacts’ criteria in Understanding Franchise brand selection criteria, a case study of bubble tea franchise industry in Thailand

The findings for the “trust in encountered people and good contacts” from the interviewees are shown in Table 11.

Table 4.7: The opinions toward ‘trust in encountered people and good contacts’ criteria of franchisees

Topics	Participants Findings
Friend and Family	<ul style="list-style-type: none"> ▪ Me and my husband choose the same brand after we gathered the information together, and that made my choice a lot easier. (Ochaya3) ▪ There are so many brands in the market and I cannot decide which one I should buy, but when I asked my friend what brand they like they all choose my current brand. (Ochaya 5) ▪ My brother suggested this brand to me,

<p>Other franchisees</p>	<p>and after that I began to collect the information of this brand. (TeaO 1)</p> <ul style="list-style-type: none"> ▪ This is my first investment in business, but luckily, my family agree with me with this brand and that made me felt relieve. (TeaO 2) ▪ I have a conversation with my wife about the brand we are going to choose. I have a number of franchise brands in my hand but we agreed on this one. (Mochi Tea 1) ▪ My friend told me about how good this brand is, and that is the beginning. (Mochi Tea 4) ▪ I went to ask about 2-3 franchisees of this brand about their performance and problems before choosing this brand. (Ochaya 1) ▪ I went to have a conversation with 2 franchisees if I remember correctly, before choosing this brand. (TeaO 4) ▪ I have a conversation with one franchisee of this brand and believe that this franchise brand is good. (Mochi Tea 3)
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4.3.4 Possibility to open a store in desire area

In the starting of bubble tea franchise business, a franchisee has to have a location before contact a franchise brand. There is a theory about location or targeted location affecting the decision making choosing a franchise brand (Gauzente, 2002). This research is intends to find an answer to this theory. The information gathered is shown in Table 12.

Table 4.8: The opinions toward ‘Possibility to open a store in desire area’ criteria of franchisees

Topics	Participants Findings
Competition	<ul style="list-style-type: none"> <li data-bbox="724 456 1366 651">▪ If there are high competition in the target location, franchisee must have to consider on competitive strength of the brand, and that is why I choose this brand. (Ochaya 3) <li data-bbox="724 674 1366 819">▪ I found a high competitive location so I have to make sure that I could compete with others. (Ochaya 5) <li data-bbox="724 842 1366 987">▪ There are so many bubble tea store in my area, so I decided to choose a brand with lower product price to compete with others. (TeaO 2) <li data-bbox="724 1010 1366 1155">▪ There is price sensitivity in my area, so it is better to choose a brand with lower product price. (TeaO 5) <li data-bbox="724 1178 1366 1323">▪ My targeted location is full of kids, so I decided to choose this brand because of its appearance. (Chewing Tea 3)
Investment cost	<ul style="list-style-type: none"> <li data-bbox="724 1391 1366 1592">▪ This franchise brand has variety of stores type, and it is cheaper compared to do it on my own. (Mochi Tea 2) <li data-bbox="724 1615 1366 1816">▪ It makes franchisee easier to decide when franchise brand has a various type of store to choose. (Mochi Tea 3) <li data-bbox="724 1839 1366 1921">▪ Safe cost, safe time, compared to do it by my own. (Mochi Tea 4)

4.3.5 Choosing franchise brand from personal liking

Choosing a bubble tea franchise brand from personal feeling is related to the direct experience of an entrepreneur before becoming franchisee of the franchise brand. Franchisee may like something about the brand which leads to the franchise purchasing decision making. This research intends to find which factors are the criteria for choosing franchise brand based on personal feeling of franchisee. The information gathered are in Figure 18.



Figure 4.9: The explanation of ‘Personal liking’ criteria in Understanding Franchise brand selection criteria, a case study of bubble tea franchise industry in Thailand

The findings for the topic of personal liking from the interviewees are shown in Table 13.

Table 4.9: The opinions toward ‘Personal liking’ criteria of franchisees

Topics	Participants Findings
Sweetness	<ul style="list-style-type: none"> ▪ I don’t like sweet tea, it is hard to explain but I think this brand product taste is the best. (Ochaya 2) ▪ Unique taste, original from Taiwan. This brand has a different taste compared to the others. (Ochaya 3) ▪ I have taste so many brand and I like this brand the most. (TeaO 2)

<p style="text-align: center;">Aroma</p>	<ul style="list-style-type: none"> ▪ I like the taste of this brand, and I believe that consumers also like them. (TeaO 3) ▪ I like this brand taste the most and I believe I could make it better for other menus. (TeaO 5) ▪ Delicious or not is depends on the people who taste them, but no one prefers a brand that is not delicious. (Mochi Tea 1) ▪ This brand taste is the best and I believe consumer agree so. (Mochi Tea 3) ▪ This is the taste I want to create, so the short cut is bought this brand's franchise right. (Mochi Tea 4) ▪ Our product is delicious, and good taste bring consumer in. No consumer wants to taste a bad product. (Mochi Tea 5) ▪ This brand has the best taste and I believe consumers would agree so. (Chewing Tea 1) ▪ The differentiation between product tastes in bubble tea market is sweetness, and this brand has the best balance. (Chewing Tea 4) ▪ The differentiation between product tastes in bubble tea market is aroma and this brand is the only one who has that. (Ochaya 1) ▪ Before becoming franchisee, I always like this brand because of its aroma, and I believe the consumers will agree so. (Ochaya 3) ▪ No other brand could create this aroma like this brand. That is why I choose this brand. (Ochaya 4) ▪ I like this brand product's aroma, and I
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Good service	<p>think this is a very strong key message. (Ochaya 5)</p> <ul style="list-style-type: none">▪ I like his attitude toward me. It is different compared to other brand I have contacted. (Mochi Tea 2)▪ He cares for franchisee and people who contacted him. I'm kind of impress. (Mochi Tea 3)▪ He is easy to contact. That is all I need. (Mochi Tea 5)▪ I like him. He always answers my phone carefully. (Chewing Tea 1)▪ I like him. He shared his knowledge since I am not his franchisee. (Chewing Tea 2)
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CHAPTER V DISCUSSION

In this chapter, the researcher provides an analysis of the interview results from the previous chapter.

5.1 How they became franchisee

After conducting the research on “Understanding Franchise Brand Selection Criteria of Franchisee: a case study of Bubble Tea franchise industry in Thailand”, the researcher found that all of the potential franchisee has a similar background and rationale in becoming franchisees.

20 out of 20 target samples were salary employees. They were looking to changing their workplace, but during that time, they also found inspiration to own a business. They had discovered that the bubble tea business is interesting and began to search franchise brands that serve their requirement. After their business had become established almost all of them began to find new job, only 3 of 20 target samples continued as full-time franchisees.

The decision process of 20 target interviewees are different, but also had similarities. The researcher has outlined the process of a person who became a franchisee in the following model below.

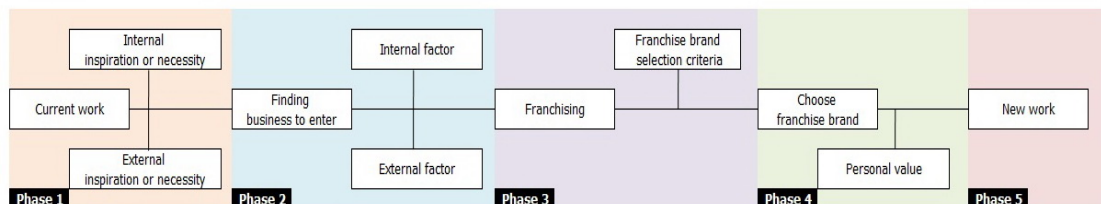


Figure 5.1: Decision making process to become a franchisee and choosing a franchise brand

5.1.1 Phase 1: Decision making to own a business

This is the first phase of becoming a franchisee. Generally, a person who wants to become a franchisee or to own a business has internal or external factors to change his career path.

Internal inspiration would be a need or a dream of a person compelling. 12 out of 20 interviewees of this research paper to begin a business. The reason of the decision is they all wanted to “own a business”.

External inspiration could be a motivation they received from other people, or could be from a situation compelling. 8 out of 20 interviewees decide to own a business. Some because of necessity as their companies were closed. They had to find new jobs. Some wanted to gain more income by investing in a business.

5.1.2 Phase 2: Finding the business to enter

After a person has decided to own a business for various reasons. The next step is to decide what business he should get into. The criteria for choosing a business are many. The reason for choosing a business could be divided into two parts, which are internal factors and external factors.

Internal factor for business selection in this research is personal liking, 4 out of 20 interviewees chose bubble tea business because they liked the product personally.

External factor for business selection could be the type of product, market potential, market trend, costs of investment, and rate of return. Almost all of the interviewees selected bubble tea business by using external factors, 10 out of 20 chose this business because of market trend, bubble tea drink business is very popular with low cost of investment. 6 out of 20 interviewees chose bubble tea business because of the ease to sell and good profitability of this type of product.

The above paragraph listed only the main factor of decision to choose a business to enter. In reality, interviewees combined many reasons together before choosing the bubble tea business.

5.1.3 Phase 3: Franchise or starting own business

There are many advantage of franchising over starting one's own business. However, franchising also has disadvantages compared to starting one's own business.

The benefits of franchising are numerous. The franchise acquire franchise right to established brand name, methodology, supports, and competitive know how.

“Purchasing franchise right means you have an advantage over the other. Imagine that you are going to open your shop in high competitive area. There are two stores of others bubble tea brand already, so why consumers will buy yours? We cannot guarantee that the taste or key strength of your new brand will satisfy consumer needs. But the situation will be different if you purchase franchise right from us. Consumers have tasted the product already from other branches, and they might be fan of this brand. All you have to do is maintain product standard to keep consumer with you.” (Ochaya 1, 2013)

Some of interviewees chose to do a franchise business because of methodology, especially how to make tasty tea. Since tea is the main product to sell in this business, consumer comes to the store for tea. Store management is also a significant factor for the new comer franchisee.

“It takes time to research and to invest in a new tea. It is easy to make a normal tea. If you want to sell your tea, you have to make consumers feel like they could not make the same one at home. It is better to spend money for good tasting tea. Purchasing franchise is like purchasing an instant business. We got their product, their brand, and their key success factors. It is a short cut. Taste is also a criterion for choosing franchise brand because the taste of each brand is different. For me, purchasing a franchise is like having a manual. I am new to this business, and I do not have any background in this field. It is always good when you have someone experienced guiding you.” (Mochi Tea 3, 2012)

However, franchising restricts franchisee to certain conditions. Because franchise brand has to maintain the product taste and price, and corporate identity, which means franchisee could not do things without permission of the franchise brand. Some franchisee feels uncomfortable with this situation, sometimes they thought that it would be better if they could do this or that. However, once they were chosen franchising means they chose benefits over the freedom already.

“Sometimes I do not like the fact that I could change something only in the frame. For example, there are consumers who prefer no sugar tea, but I cannot do for them because my tea is an instant tea came from franchise brand. I always think that I could be better if we could answer all of consumer need by adaptation, but it is impossible for franchising. However, that is only a small part. I am doing good in the big picture. I have so many royal customers who attached to this brand, our customer love our taste. They chose us even our price is higher than other store around here.” (Mochi Tea 1, 2012)

For summary, franchisee chose to do franchising instead of operating own brand. Franchise brand has operated for a period of time. Their success guarantees that its operation is the proper way. Franchisees seek to minimize the risks of failure. They prefer instant business model that is successful.

The shorter business startup time is also important. Starting one's own business takes time in term of designing corporate identity, research and developing products, and management setup. One entrepreneur might take 3-6 months to complete from scratch, while franchisee needs only 1-2 weeks to complete it.

Table 5.1: The reasons for franchising of franchisees

Interviewee	Franchising reason (1)	Franchising reason (2)	Franchising reason (3)
Ochaya 1	Time save	Product	Brand name
Ochaya 2	Product	Brand name	-
Ochaya 3	Product	Brand name	Time save
Ochaya 4	Brand name	Product	-
Ochaya 5	Brand name	Product	-
TeaO 1	Product	Time save	-
TeaO 2	Time save	Product	Brand name
TeaO 3	Product	Time save	-
TeaO 4	Time save	Product	-
TeaO 5	Time save	Product	-
Mochi Tea 1	Product	Time save	Brand name
Mochi Tea 2	Time save	Product	Brand name
Mochi Tea 3	Product	Time save	-
Mochi Tea 4	Product	Time save	-
Mochi Tea 5	Product	Time save	Brand name
Chewing Tea 1	Brand name	Time save	-
Chewing Tea 2	Product	Brand name	-
Chewing Tea 3	Time save	Brand name	Product
Chewing Tea 4	Time save	Product	-
Chewing Tea 5	Brand name	Product	Time save

5.2 How they choose franchise brand

After a person chooses to franchising, what they think next is which franchise brand to purchase (phase 4). In the bubble tea franchise business, there are so many franchise brands to choose from. Each brand has its characteristics and its unique product selling point. Picking the best brand, the franchisee has to consider a lot of factors.

This research paper has gathered information and the criteria of choosing franchise brand from 20 franchisees. The researcher found that not all of the criteria listed in this research are important to the interviewees, only a few affected the brand purchase decision making process. In this topic, the researcher will explain the criteria one by one.

5.2.1 Effects of franchise Brand name

Brand name plays an important role both for the consumer and the franchisee. Generally, when we see a familiar brand name we will recall past experience, either good or bad, and it will drive a person to decide on something.

For the consumer, seeing a brand name will remind him of the experience related to the brands, products and services. If the consumer has a good experience with the brand, there's a higher chance to be a customer again. Moreover, reputation of the brand has an effect on consumer decision making to purchase good or service. A consumer may not have experienced the brand before, but he has seen or heard about it somewhere. The reputation could influence a potential consumer's purchase decision.

Franchisees also know these facts about consumers, so they expect to gain benefits from purchasing franchise right. Franchisees expect that they will have competitive advantages by the acquisition of an established brand name against the new or lesser known brand names.

“One of the reasons I chose this brand because of the reputation of the brand. The reputation gave us an advantage over the normal brand. Imagine that there are 2 bubble tea stores around here, and I am the newest. Consumers have experience with those two brands already, they might like them or not, I do not know. But the point is, why consumers have to taste my brand, especially if they have good experience with the other around here already. The answer is, because of my store's brand name. Consumers might taste our products from somewhere else, or heard our name from somewhere, and that makes consumers confidence in us. It is like, “Oh!, this brand has open here. I have to try some.” (Ochaya 3, 2013)

However, the meaning of “reputation” is not clear. So, the researcher intends to go deeper to find the definition of reputation from target interviewees. The researcher has found that the word ‘reputation’ of franchisees is defined by three things: which are, the number of store branches, the stores location, and the competitive strength of the brand.

For the number of store branches, franchisee gave reason that many store branches means more opportunities to deliver brand value and message to consumers. For example, the brand with 20 branches has more chances to service customers over the brand with only 5 branches. When customers have seen the brand repeatedly, brand recall and top-of-the-mind awareness is much stronger.

“Number of store branches is very important. The more store branches location, the more chance to meet the customer. More chance of customer to try us is another story, but the main story is brand perception. When consumer have seen our brand repeatedly from different location will think about our performance automatically, seeing us everywhere have a chance to make them think that we are a big brand (and yes, we are, because we can do so), and that help us a lot.” (Ochaya 2, 2013)

Another factor related to brand reputation is store location. How store location related to brand reputation? Interviewees gave the answer by explaining that the each location has different sales performance. For example, the store at Silom Road must have higher sales than the shop at Soi Aree. Traffic at Silom is much higher than at Aree. The logical thinking is similar to ‘number of store branches’ topic. When consumers see a store in a up-market area, they will think that the brand is powerful. Store/shop located in an up-market area will help to build brand reputation.

“Brand reputation related to stores location, if the brand opens a store in important location. They will have a chance to deliver a message to consumer, moreover, consumer will think that the brand is big because of the brand could compete with other and have a potential enough to open in an important location.” (Mochia Tea 1, 2012)

The last factor related to brand reputation is competitive strength. Competitive strength is top-of-the-mind awareness of the brand name. Customers would always recall a well-known brand name first.

“Brand reputation is competitive strength. We could decided which brand strong enough or not by watching them operating business in high competitive location. If there are two brands competing in the same area, one is well-known brand and the other one is regular one, the product and service of these two brands are in the same standard. I believe that the well-known brand will perform better, because consumers prefer top brand” (Ochaya 2, 2013)

The other possible factor influencing decision to purchase a franchise brand is ‘brand progressiveness’. From the research, the researcher found that this factor is not considered by the franchisees as an influencing factor.

Majority of franchisees did not talk about franchise brand strategic planning. They focused on the operational details of franchising when they have discussion with the franchisor. Some franchisees thought that strategic planning of franchise brand is not a concern to them. It could make a franchise brand better, but has no direct benefit to them. Only 2 out of 20 interviewees think that this point is important to them.

“I did not rate the important of brand progressiveness. I think that it could make a whole franchising system better, but not for individual franchisee store. The strategic planning of this brand is to spread the brand as far as possible, by acquiring franchisees. I know this strategic after I became their franchisee, but in my opinion, if I know this before purchasing franchise right. It still not affected my decision.” (TeaO 2, 2012)

5.2.2 Effects of franchise Supports

Franchise supports are very important to franchisee. Because one of the main reasons for franchisee to purchase franchise right is to have the supports as the

backup. The researcher will focus on the criterion for choosing franchise brand and will go deeper into the needs of the franchisees.

Franchise supports could be divided into 3 parts, which are start-up support, on-going support, and training.

Firstly, start-up supports. For the bubble tea franchise business, this support is location analysis. The franchisor will send a professional team to analyze a franchisee's shop location. They will estimate sales forecast, payback period, and estimated investment. This support could be very detailed depending on the franchisor. After gathering information from interviewees, the researcher has found that "start-up supports" is not a criterion for choosing a franchise brand. Every franchise brand has this supports in its evaluation process, and the difference between each brand is the methodology and details. Franchisee would know the results of analysis. Franchisee expects the franchise brand to have this kind of support, but they did not know the process of the analysis.

"Financial analyzing is important, we, franchisees, did not have the background in this business, some might have, but generally we are not professional like franchise brand. We do not know the potential of our location, or when we will get our money back. I could say that financial analyzing is one of the reason why I became franchisee, but hardly to say that I choose this brand because of them. Every franchise brand has this service for their franchisee, and I can see no different between franchise brands. I do not know the details of other brand, but I thought that this is just an analyzing, and no matter what method they use its purpose is to forecasting anyways." (TeaO 1, 2012)

Secondly, on-going supports. On-going supports mean the supports that the franchisor support franchisee to run a business. The supports could be divided into three parts: which are quality control, research & development, and services.

Quality control is a service that the franchisor sends a professional from time to time to random testing product quality. Franchisee's product quality must meet franchise standard. Most of franchisees do not have enough time on know how to

check product. Same as start-up supports, quality control is not a criterion for choosing a franchise brand. This service is a regular support service in the bubble tea franchise business. Franchisees admitted that quality control service is important, but is not one of the reasons why they choose franchise brand.

“It is important, yes, everyone could imagine how worker working. If we did not watch them carefully, we cannot believe in them after all. Having quality control could help us in maintaining our standard, so we could concentrate on other thing benefit to us. But actually, I did not thinks this is a criteria for choosing franchise brand, because of every brand have them. I can see no different in them, the period are different, but we did not concern that point actually.” (TeaO 2, 2012)

Thirdly, training support that franchise brand provides to franchisee. Training support could be divided into two parts: which are business management and cooking process.

For management, training is a short cut for many franchisees since they do not have proper management system to operate the business. Franchise brand thought it for them and teach them how to do it. Many franchisees are happy with this support. From in-depth interview, the researcher has found that all of the franchisees do not know about the training details, and they knew that all of the brand has this service. In conclusion, management training is not a criterion for choosing a franchise brand but it is a franchise benefit.

“I like this service. It helps me a lot since this is my first time for doing this kind of business, and having a professional one to guide me is something beneficial. But yes, every brand has this kind of service and I do not know what is different in detail.” (Mochi Tea 4, 2012)

As well as cooking process training, all franchisees know that each brand has. If a franchisee purchases the franchise right because of he wants its cooking process or recipe to get the final product. Cooking process and recipe is the reason for buying a franchise but not the reason for choosing franchise brand. The reason for

choosing a franchise brand is the product's taste included in the personal feeling category.

“Yes, it is easier and save time to have someone teach you how to make a delicious tea. I like this brand's product so I bought their franchise right. It has to take my time a lot to research on how to make a tea's taste like this” (Mochi Tea 3, 2012)

5.2.3 Effects of financial benefit

Financial gain is one of the goals of every company or every business. Both franchisor and franchisee want to make profit from business. A financial benefit here refers to financial benefits provided to franchisee by franchisor.

What are the financial benefits provides by franchisor. Franchise business is operating the business under the same brand name. The wealth of the company is related to the franchise brand performance. This research classifies financial benefits into two parts. Firstly, financial health is a benefit derived from franchise company's wealth. Secondly, profitability is the ability of the franchise company to make profit.

For financial health of the franchisor refers to ability to have sufficient stocks/supplies, and to develop business.

In the food and beverage franchise business, stocks/supplies are very important. The value of the product is the unique taste of the product. Hence, if the franchisor does not have the ingredients or material stocks to supply the franchisees, business would be interrupted causing financial problems for all concerned.

“Financial health of the company is very important. If we want to do a business with them we have to make sure that they have ability t provide and support us. In bubble tea market, the continuity is very important, our consumers are always ready to switch brand when we could not achieve our standard. That is mean we must maintain our delivered value. Yes, our value is unique taste which comes from our special ingredients provided from franchise brand. To do that, the franchise company must manage their stock effectively

and send to us in times because if one of our shops cannot achieve standard it might effect to the other under the same brand.” (TeaO 2, 2012)

Franchise financial health of the franchisor also means money to develop the business. Franchisee pays a fee to acquire the right to be under the franchise brand umbrella with expectation of fast business growth rate. Franchisees would benefit from expansion of the franchise brand. The faster expansion, more benefits for the more reputation and competitive strength for the brand. Business expansion could bring more benefits for the franchisees. For example, cost reduction from economy of scale, and increased new product research and development. However, majority of the franchisees, 12 out of 20, did not think financial benefit as a criterion for choosing the franchise brand. They do not care much about franchise expansion if they do not make money from their own shops.

“It is better if we have a head company who active in developing business. But honestly, I did not care much on them because we are doing franchise business because we want more money than usual and I do not think that developing business will effect us, franchisee, at all. It might help us to make a little more money but it is more like benefit for the whole company.” (Ochaya 2, 2013)

The second franchise brand selection criterion in the topic of financial benefit is profitability. Franchisees care about profitability because of they want to make more money while selling the same quantity. When a franchisee purchases a franchise right, there are two things he wants to know: firstly, when will I get my investment back, and how much I could make in a one month or in one year. The two questions could be answered by the profitability of the franchise.

For this research, profitability means ability to make profit in one month or in one year. A franchisee compares the profitability of the franchise brands before deciding on one brand. Profitability can be calculated from payback period and estimated profit. The thing the franchisee most concerned is profitability.

“If you have a location where you do not have to fight with the other brand, that is mean you could sell as many as you want but depends on consumer demanding. This situation happened on me, so one of the things that I concerned is profitability. Gain more money with no risk of raising price.”
(Chewing Tea 4, 2012)

5.2.4 Effects of franchise agreement

Franchise agreement is an official contract which franchisee signs before gaining a right to be under the franchise system. This research explains franchise agreement in detail in previous chapter. This chapter focuses on the effect of franchise agreement towards decision making to select a franchise brand.

All franchisees have negotiated with the franchisor on franchisee agreement before they become brand franchisees. Details written in the agreement are different for each brand. Actually, the agreements of the franchise brands are almost the same. Information gathered from in-depth interview showed that there are two things that a franchisee most concern within franchisee agreement which are: the cost of franchising, and the fairness of agreement.

The cost of agreement must be reasonable. There are two criteria for the franchisee to decide which agreement is reasonable or not. Firstly, the market standard. The information on franchisee agreement fees, changed by franchise brands. Many franchisees note that some brands have raised the cost of franchising too much even though the brand is strong.

“The cost of franchising must be reasonably. We, franchisee, pay for acquire a value of the brand that they built for a long times, but that does not means they could set a price too high compared to the other. You know what, some brand set a price so high that we could bought a 2-3 franchise right from the other brand.” (Mochi Tea 4, 2012)

The second criterion is comparing personal (franchisee) expectation with the cost of franchising. What a franchisee expects from the franchise brand is different from others. Franchisee who wants high brand value is prepared to pay more. Since

each brand has different value, the franchisee has to choose the one matches his needs. It is a balancing of franchise brand value with cost of franchising for the franchisee.

“It is important, but it is according to individual needs. I want the best thing, because it is much more easier to sell compared to the smaller brand, and that is the reason why I paid the large amount of money for this franchisee. Actually, it is natural that a stronger franchise brand is more expensive compared to the smaller one. I think this is fair, imagine a stronger brand has a price similar to a smaller brand. I am sure that no one pay for a smaller brand.” (Mochi Tea 5, 2013)

The second criterion is personal feeling about the fairness of agreement. From this research, the researcher has found that franchisee usually note the details of the franchise agreement. Franchisee will weight and consider the details in his mind before deciding that the agreement is fair or not. Results from in-depth interviews, the researcher found personal feeling about fairness depends on one's experience and point of view. Only one franchisee from the total of 20 has a problem with fairness of agreement

“There are some unnecessary payments in the contract, I can remember. Before I come to talk to them I did some homework, and when i found something on an unreasonably in the contract, I turned them down. For example, they collected some fee so high compared to the other but really, I have not seen they do anything about that. I thought that is not fair for us. Someone might thing that is a very small thing but for me it is not. It has shown their intention.” (Ochaya 2, 2013)

5.2.5 Effects of franchisor culture

Franchisor culture influences the decision of potential franchisee. Some franchisees pointed out that the culture of the company and the franchisor had influenced their decision to choose a franchise brand. They want to work with a

franchisor that has systematical thinking is visionary and polite. Because that could make things easier.

“I do think. This is important, many employees have a conflict with their boss because of they personally do not like him or do not like his working culture. For franchisee it is not different. I have contacted many franchise brands before but no one cared on me, but luckily I found this one in time. He is a vision man, active, and polite. We talked about our future and I believed that will going to be true.” (Mochi Tea 1, 2012)

However, this factor is not a major concern for franchisees. Only 2 out of 20 franchisees answered that this was one of their criteria. 5 out of 20 franchisees had an opinion about their franchisors’ culture.

5.2.6 Effects of franchisor’s concept

Franchisor’s concept means ‘the way to work’ of franchisor. Results shown that this factor is not concerned by franchisees with only 2 out of 20 franchisees agreed on this factor.

“I do not think this is an important factor, because of us, franchisee, have freedom to operate our shop on our own and we did not related much with the central office. That is mean we do not have to work with franchisor that much.” (Chewing Tea 2, 2012)

5.2.7 Effects of encountered people

The result can categorize into two types of encountered people: which are friends and family members, and other franchisees.

Friends and family members could have a huge effect on decision making. Most of franchisees have worry about choosing a brand even when they have collected so much information. Support from friends and family members could help to build confidence in decision making.

“Purchasing franchise right cost a lot of money. I have to make sure that I chose the best thing for my future plan. I have so much stress. Luckily, my family supported me that told me that I chose the right thing. It is wonderful feeling, I felt relief and my mind is clear. I have a confidence with my choice even if I have a doubt on them a hour ago” (TeaO 2, 2012)

Secondly, the effect of other franchisee. Talking with current franchisees of franchise brand is a popular method to cross-check the performance of franchise brand. Many franchisees usually go ask a franchisee of their interested franchise brand in different location about the sales and operational factors before purchasing franchise right. The answer of the current franchisee has a huge effect on questioner since their answer came from direct experience of franchisee that is operating a franchise business.

“It is support information, made my decision making easier. When you are not sure about something you have to ask, and I do not know on details of this brand so I have go out and asked other franchisee of this brand in different location. I want to know that how they sales, what is their problem with the franchise brand, or what is their selling tip and techniques. I gave a high attention to the sales topic since it is my main purpose of asking them.” (Ochaya 1, 2013)

5.2.8 Effects of possibility to open store in desire area

Information from in-depth interview showed that possibility to open store in desired area has an effect on franchisee decision to choosing a franchise brand. The reasons for the effect of open store in desire area could be divided into are: competition in the area, and size of location.

Firstly, the competition in the area is a consideration for franchisee sometimes there is no competitor in the area so that means the franchisee could realize all of the consumer demand. Franchisee could sell his products with no competition. Some franchisees pointed out that they do not need to invest a large amount of money to acquire a strong brand that has high competitive strength. If franchisee's target

location is a highly competitive area, some franchisees would reduce the risk by purchasing a strong franchise brand which cost them.

“This is very important. In my opinion, location is core competitive strength of this market. If you have a good location you do not have to do anything special to sell your products. But in my case, there are 3 brands in this area already so I have to make sure that I can fight with other. I do not want to invest my money in anonymous brand and died with nothing. That is why I chose this brand. This franchise brand has very high reputation, and the market knows their standard already.” (Ochaya 3, 2013)

Secondly, the size of shop is a criterion because some franchise brands required a different size of location. There is a standard shop size for each brand, but problem occurs when a franchisee has a potential location which is smaller or bigger compared to the standard size of the brand. Some brands provide a solution by preparing various shop kiosks for potential franchisees, but some brand would not reduce shop size because that might ruin the brand image.

“My first shop is very small. At that time I cannot find any franchise brands who accept my location. They told me that it is too small, I have to find another one but another one is too big and that cost me a lot if I choose them, Luckily I found this brand on the website and after I go to talk to them they agree with my location and told me that they a size of kiosk which fit with this.” (Mochi Tea 2, 2012)

However, the second reason is not concerned by franchisees that much because of almost all of the interviewed franchisee, 17 of 20, understand that selling this kind of product required a space. Some of franchisees thought that a franchise brand should design a smaller shop as a strategy for increasing number of branched.

5.2.9 Effects of personal feeling

Personal feeling is different for each franchisee due to the experience they have. Two franchisees might have different perception towards the same franchise brand. However, this research found that the personal feeling of franchisee came from 2 main factors which are: product taste, and good service.

Firstly, product taste is totally individual preference. Results from in-depth interview, the researcher has found that franchisees all agreed that there is differentiation of the product tastes among brands in the market. There are two criteria for characterizing the taste of product which are: taste of the tea, and aroma. The process of making tea for each brand is different. Some prepare the tea from distribution center before delivering to franchisees. This method helps the franchisor to control the taste of the tea but no adaptation. Some brands deliver the tea leaf to franchisees and let the franchisees make the tea by themselves. This method gives strong aroma to the tea but less product taste controllability of the franchise brand. Since the product tastes are different and the two methods of preparation have their merits, it is the franchisees who decided what they prefer.

“There is a little differentiation between the product’s tastes in each brand. I could say that the differentiation is sweetness. I bet you to try one brand right there and go try another. You could not say about their differentiation but the sweetness. Unlike this brand (the franchise brand he purchased), this brand has aroma. I believe that this is the only brand that has that. Consumer will remember us from this point, and it could grab an attention when they walk pass the shop. That’s why I like this brand.” (Ochaya 1, 2013)

“There is not much chance to satisfy consumer. I bought the franchise right of this brand because I like their product taste. The taste of the tea of this brand is proper, some brand is like selling milk with tea aroma, and I have to make sure that I could maintain this standard. So I prefer this brand, I want to ensure that consumer will satisfy with the taste as me.” (Mochi Tea 5, 2012)

Secondly is good service. Selling a product is not only delivering a value, which is the product taste, but delivering an experience to consumer as well. All of the interviewed franchisees said that they were consumers of the brand they chose. Some franchisees had bad experience with staff. For example, staff who get angry with potential franchisees. At the same time, there are franchisees that have good experience with a staff of franchisor.

“It is effective. No one wants to involve with what they do not like, that is the same for me. I remember when I am their consumer and their attitude toward me is very bad, not once but twice, and I do not like them since that time.” (Chewing Tea 2, 2012)

Moreover, good service could be the care of franchise brand. Some franchisees have negative perception towards some brand because they have not shown interest in talking with them. Franchisees felt that by their attitude. In the same time, some franchisees have a positive feeling from activeness, easy to contacted, and politeness.

“Yes it is effect. I have a positive feeling with my franchisor. I was impressed with his attitude, he never refuse my question, always answer what I asked. I called him about 5 times before talking about how I purchasing his franchise you know? I must be annoyed if it was me.” (Mochi Tea 5, 2012)

CHAPTER VI

CONCLUSION

This last chapter provides the conclusions and recommendations based on the findings of the study.

6.1 Ranking of the criteria for choosing a franchise brand

After in-depth interview of each franchisee, the researcher asked the interviewee to rank the criteria they used in the order of important for choosing a franchise brand.

Table 6.1: Result of criteria for choosing franchise brand in bubble tea franchise market

Interviewee	First criteria	Second criteria	Third criteria
Ochaya 1	Product taste	Brand reputation	Profitability
Ochaya 2	Brand reputation	Profitability	-
Ochaya 3	Product taste	Brand reputation	-
Ochaya 4	Brand reputation	Product taste	Friends and family
Ochaya 5	Brand reputation	Product taste	Profitability
TeaO 1	Product taste	Cost of franchising	Brand reputation
TeaO 2	Product taste	Cost of franchising	Profitability
TeaO 3	Product taste	Profitability	-
TeaO 4	Product taste	Brand reputation	Friends and family
TeaO 5	Cost of franchising	Product taste	-
Mochi Tea 1	Product taste	Cost of franchising	Franchisor's culture
Mochi Tea 2	Cost of franchising	Brand reputation	-
Mochi Tea 3	Cost of franchising	Brand reputation	-
Mochi Tea 4	Product taste	-	-
Mochi Tea 5	Product taste	Profitability	Brand reputation

Chewing Tea 1	Product taste	Cost of franchising	Service
Chewing Tea 2	Cost of franchising	Product taste	Brand reputation
Chewing Tea 3	Product taste	Cost of franchising	-
Chewing Tea 4	Product taste	Brand reputation	-
Chewing Tea 5	Cost of franchising	Profitability	Brand reputation

In summarizing the criteria in the Table 15, the first criterion is given 3 points, the second criterion 2 points, and the third criterion 1 point. The results are shown in Table 16.

Table 6.2: Result of criteria ranking in choosing franchise brand in bubble tea franchise market

Rank	Criteria	Score
1	Product taste	44
2	Brand reputation	25
3	Cost of franchising	25
4	Profitability	11

6.2 Future competitive environment of bubble tea industry

All of the interviewee franchisees gave similar comments on this subject. The market has learned from the past history that the market was destroyed by price war. Bubble tea come back as fashionable and consumer driven product. Every brand sets prices between 30, to 40 baht per cup. To avoiding a price war, their compete by unique-selling point of each brand product, promotion plays an important role in the market. There are new ways to service consumers such as door-to-door delivery service, collecting bonus stamps for free drink, or buy two get one free deal.

However, the market is peaking already. Majority of the interviewed franchisees commented that being a fashionable drink may cause the decline of bubble tea market. A fashion trend pushed demand creates artificial demand in the market. The real market demand for bubble tea may be smaller than the present one.

The current bubble tea market trend came along with the booming coffee drinking trend in modern Thai society. There is severe competition in the coffee market, so some entrepreneurs seek an alternate product that provides similar refreshing benefit to consumers.

Although most franchisees think that the market will decline, but will not fade away again. There are too many market players. The result will be that small players, or weak brands will lose out in the competition. The few strong brands will survive because they have loyal customers. Those strong brands have strong product selling points that will sustain their businesses.

6.3 Possible challenge that lie ahead for bubble tea franchise in Thailand

There are three challenges for bubble tea franchising in Thailand. Firstly threats from non-franchise brands.

There are many reasons to open a bubble tea shop in Thailand. One of them is low entry barrier. The investment cost of this business is low (about 20,000 – 100,000 bahts). Entrepreneur could easily come in to compete in this market without taking a major financial risk.

Secondly, current demand for this kind of product is high. With high demand, there will be entrepreneurs from related businesses for ingredients, machine/equipment, and recipe development. These supporting businesses enable entrepreneurs to start a new business in the bubble tea market.

Thirdly, profitability of the bubble tea. Bubble tea is a low-cost drink. The profit margin is about 60-70% per cup. In-trend drinking products are easy to sell. These reasons drive more and more entrepreneurs to enter the bubble tea business.

The number of non-franchise bubble tea brands is increasing at a very fast rate. Some have done well enough to attract consumers. Franchisee may think that a franchise brand name would be an advantage. Brand reputation means something valuable to a consumer. But the truth is that in some locations, an established non-franchise brand with satisfied consumers may cause problem for new-comer franchisee in the same location.

The second challenge that lies ahead for the bubble tea franchise in Thailand is brand similarity. There are few differentiations for franchise brands. The products are similar. Drink tastes are not much different, and the variety of product on offer is almost the same. It is difficult to differentiate from the others. Some franchisees thought that there is opportunity by finding a new product selling point to compete. If a brand could differentiate itself from the others by delivering a new value to consumers, that brand could become a market leader.

The last is about diversification. Some franchisees think that challenge the franchise brand should not limit itself to just a bubble tea brand. It could be a tea brand that offers wider product range. Some thought that the brand could even offer non-tea items such as snacks or cookies.

6.4 Conclusion of the study

There are many researches about criteria for choosing franchise brand. This study is different as it has been done for a specific industry and market. This research has intended to identify the franchisee criteria for choosing a franchise brand in the bubble tea market in Thailand using a research model adapted from many the other studies.

This research studied on the reasons for franchising of all interviewees. To find what drove them to become franchisees. The results of the study showed. They chose franchising because of two things: which are shorter business set up time, and competitive advantage of an established brand name.

Shorter business set up time is wanted as many potential franchisees are salary workers. Balancing regular work while starting a self-owned business is difficult, so they chose franchising. Competitive strength of a brand name. Franchise brand and non-franchise brand coming into the bubble tea market almost every day. So, operating one's own brand means starting everything from the scratch may be too risky.

The research goes then studied the criteria for choosing franchise brand for the bubble tea business. Results showed that the main reasons for choosing a franchise brand are: product taste, brand reputation, cost of franchising, and profitability.

Product taste is the most important criterion as it is the core value of the bubble tea industry. No matter how good the company is, if its product is not good it will not survive in the market. The second most important criterion is brand reputation, which provides competitive advantage in a highly competitive market. The third criterion is cost of franchising, which decided by the value-to-cost sensitivity of franchisee. Some franchisees concerned more on cost then brand value/equity. Some franchisees who gave more weight to brand value than cost. Finally, profitability of the business. Decision depends on the profitability of the brand and the payback period.

The results of the study showed that reasons for franchising and franchise brand selection criteria, franchisees seeks a faster or shorter business start up time and competitive strength of a franchise brand. Decision making process involved personal liking/feeling of the franchisees.

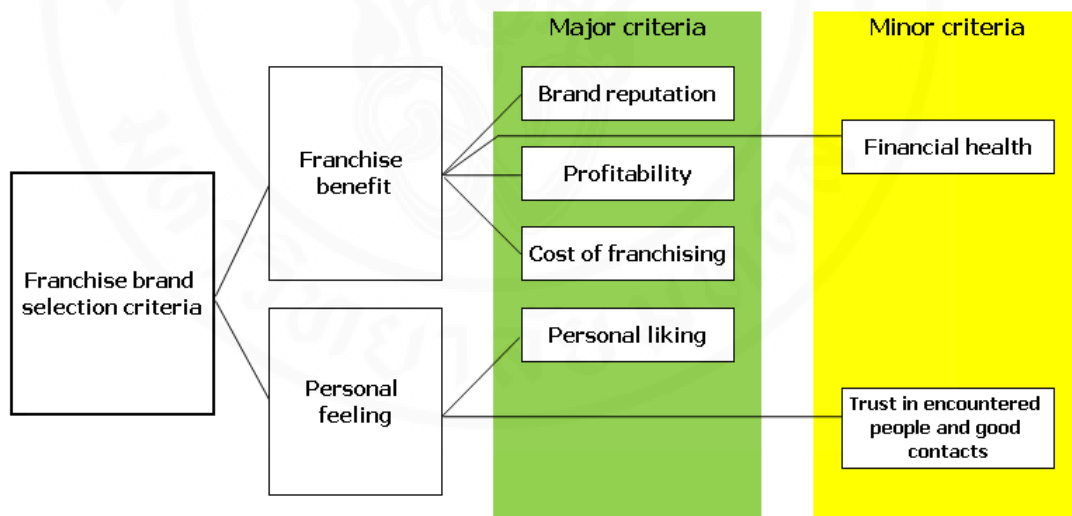


Figure 6.1: Conceptual framework for understanding decision making factors to become franchisee for bubble tea franchise market in Thailand

Table 6.3: Result of the study

Criteria	Reasons
Product's taste	Core value of the bubble tea business. Franchisor Product taste saves franchisee time, to create own drink taste. Product taste is the most important thing of the business. It is the standard of the brand.
Brand reputation	The competitive strength. Every brand has its standard and using franchise brand means copying and paste the standard of the brand. Majority of consumers chose to consume famous brand more than products lesser known brand. Consumers will have better brand recall and top-of-the-mind awareness of famous brand name.
Cost of franchising	The value-to-cost sensitivity of franchisee. Higher brand equity/value cost more.
Profitability	The main reason for beginning a new business is to have financial gain and return on investment.

6.5 Recommendation for future research

To obtain better findings of franchise brand selection criteria, more in-depth research may be needed. Further research on the results criteria which are: product taste, brand reputation, cost of franchising, and profitability will be beneficial for the whole business. The franchise brand selection criteria of bubble tea franchise might be different in the future if the market situation changes. The research could use the quantitative methodology as a tool for larger samples of franchisees.

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Interview guide to interview key informants

To

Understanding a franchise brand selection criteria of franchisee

, a case study of bubble tea franchise industry in Thailand

Group: Bubble tea franchisee

Part 1: General information

1. Gender Male Female
2. Ages years
3. Your educational background
 - Below Bachelor's degree Bachelor's degree Master's degree or higher
4. You are a franchisee of brand.
5. You have been a franchisee for years.

Part 2: Background of the key informant

1. Are you currently working as a salary employee or having an own business?
2. Tell me your story about entering the bubble tea franchise business.
3. Have you ever had any experience in other kind of franchise business, if you have, what is different?

Part3: Key informant's franchise brand selection criteria

1. Tell me your story about choosing this franchise brand.
2. How many bubble tea franchise brands did you know about before choosing this brand? Please explain
3. What were the major decision-making factors for you in choosing a bubble tea franchise brand?
4. How much did the branding factor impact on your decision making?

5. How much did the franchise supports impact on your decision making?
 - Start-up supports are the important factor or not? Please explain
 - On-going supports are the important factor or not? Please explain
 - Training support is the important factor or not? Please explain
 - Financial supports are the important factor or not? Please explain
6. How much did the financial benefits impact on your decision making?
 - Company's financial health is the important factor or not? Please explain
 - Profitability is the important factor or not? Please explain
7. How much did the company's competitive strength impact on your decision making?
8. How much did the franchise agreement impact on your decision making?
 - The fairness of agreement is the important factor or not? Please explain
 - The cost of franchise agreement is the important factor or not? Please explain
9. Your personal feeling related in your decision making or not?
 - Did you have positive feeling toward your franchisor and is it related to your decision making? Please explain
 - Did you encouraged or got supports from the people around you? Please explain
 - Did you find a location after you purchase a franchise right or you owned a location then contacted the franchisor? Please explain
 - Did you have positive feeling toward this brand and is it related to your decision making? Please explain
10. Did you have other factors that affected your decision making? Please explain

Part4: Ending questions

1. Could you rank the decision making factors by the importance of the factor
2. What do you think about the future competitive environment of this industry?
3. What are the possible challenges that lie ahead for bubble tea franchise in Thailand?



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