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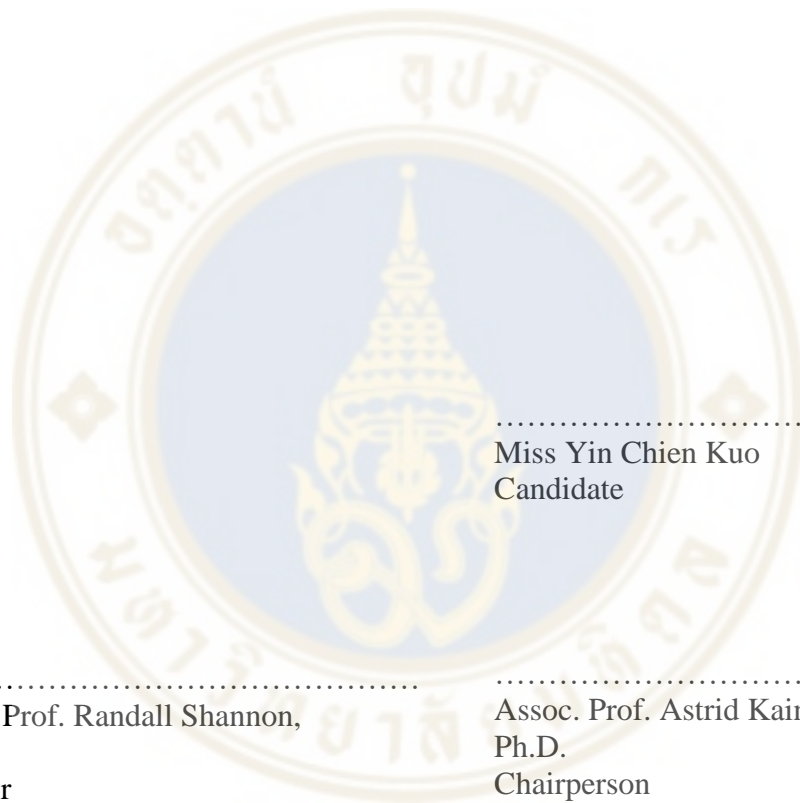
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ANALYZE THE KEY SUCCESS FACTORS CONTRIBUTED TO FRANCHISE BUSINESS GROWTH IN THAILAND

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ABSTRACT

This paper aims to study the key success factors contribute to the franchise business growth in Thailand. The research identified the challenges and dangers in the franchising business which acknowledged to the entrepreneurs to be aware of the potential pitfalls and mistakes in a franchising business. The finding also justifies the key success elements that entrepreneurs can use for consideration in their franchise business growth includes strong brand, attractive business model and strong relationship between franchisee and franchisor, service and quality of the staff, product localization, creative food ideas and constant creation. This paper will contribute to the SMEs and future franchisor and franchisees in Thailand to help them to begin and succeed in a franchise business.

KEY WORDS: Franchisor / Franchisee / Franchise business / Franchise success factor / franchise industry

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CHAPTER I
INTRODUCTION

1.1 What is a franchise?

Franchise is a type of business model that allows the business owners who have established the brand's trademark or trade name and a business system to distribute its products or services through a franchise system, which involves franchisor and franchisee (International Franchise Association, n.a). A franchising consists of a franchisor and franchisees to form a contractual agreement which gives franchisees the authority to use the franchisor's brand, product, or services to distribute to the customers in a systematic way.

1.2 Why do businesses franchising?

Many small businesses have been operating well for several years, but usually they would start to struggle with business downturn or seeing the limited growth of the business. Hence business owners will start to consider franchising, which allows the businesses to scale up and grow by transforming from small business owners to franchisors. There are several reasons that contribute to the franchising decision of business:

1. Speed of growth: franchising allows businesses to create its own franchise network, which supports the business to expand and grow quickly (FranCity, 2015)

2. Capital: Franchising allows franchisors to expand the business by using other people's money, which eliminates debt and reduces financial risks for the franchisors (Siebert, 2015).

3. Easier management: franchisors can benefit from the franchising system by having the franchisees also operating and managing the business (Invest Northern Ireland, N.A.).

4. Less recruitment: Franchisees are in the responsibility to take up the recruitment and staffing from their franchises, not franchisors (Ashtons Franchise Consulting, 2021).

5. International expansion: franchising opens up international business opportunities for franchisors, which reduces financial risks, language and cultural barriers (Strategic Franchise Development, 2020).

1.3 Thailand franchise industry overview

There has been an increase in the expansion of franchise business in Thailand as reflected by its 20% market value increase from 250 billion baht to 300 billion baht in 2019. In Thailand, the franchise industry consists of local and international brands. Most of the franchisees in Thailand are in the sectors of food, beverage, education and cleaning (Jitpleecheep, 2019). And each has its secret path and business implementation to success.

There are currently 610 franchises in Thailand, and the figure is increasing with an average of 17% growth rate per year (Thai Franchise Center, 2022). With more potential growth in the local market due to lower investment, Thai restaurants tend to focus on increasing local franchise store than expansion overseas (Franchising Industry, 2018).

1.4 Problem statement

As an emerging market, Thailand has the trend of increasing year on year market growth reflecting on the franchise businesses contributing to its economy. However, as the world economy is stepping into the digital era, a lot of physical stores are facing challenges and even closure of the operations for some entrepreneurs. While the franchise market is showing an improving performance. It is essential for the market to understand the strategies that have been implemented by franchise entrepreneurs in Thailand that can continuously drive success and business in the franchise industry.

1.5 Research questions

What are the key success factors contributed to franchise business growth in Thailand?

1.6 Research objectives

To develop a framework from the research findings that can support and guide Thailand's franchise businesses to implement in their project to take them through challenges and to continuously drive business growth.

1.7 Potential output

From the research, we can potentially help current and future franchise entrepreneurs to know if they are managing the franchise business in the correct ways. Learning from the best practices and successful strategies implemented by the experienced franchisors will be a business guideline for franchise entrepreneurs.

CHAPTER II
LITERATURE REVIEW

The research aims to find out the critical success factors of a franchise business from the past literatures and research. This will give an overview to the requirements of a successful franchise business. And the factors from the findings will be used as a comparison to the successful franchise factors in the Thailand context.

2.1 Key success factors of franchise

Franchising helps businesses to expand speedily, which can occur domestically or internationally. A successful franchise sells a prove product or services which is a proven brand or business plan. There are factors that can indicate a successful franchising business.

2.1.1 Long term strategic plan

Leading businesses develop five to ten years strategic plan to sustain the business vision, brand equity, market share growth, profitability. This is a way for businesses to face incoming dynamic changes in the business environment (Harris, 2020). Developing strategies is essential for all business to achieve long term success, and it is not an exceptional in the case of franchising. It is required for a franchise business to have a long-term strategic plan as part of the critical success factor. It presents the expansion plan of the business and shows the financial viability and customer satisfaction of the product or services delivered by the franchise business is being accepted by the market (Almeida, 2020).

2.1.2 Franchisee profile

To expand the franchise business, franchisors need a lot of franchisees to join its franchise network and strengthen the brand. Therefore, it is essential to ensure

the franchisees have the right work profile and experiences to operate and manage the business in the right way (Almeida, 2020). A successful franchising also needs a long-term contractual relationship with the franchisee (McDermott & Boyd, 2017). Finding the right qualified franchisees to join the franchise network is important and can affect long term success of the franchise business (Wilson, n.d).

2.1.3 Franchisee entrepreneurial personality trait

Franchisees are perceived to be entrepreneurs as they obtain a certain level of the business ownership and are responsible of running and operating the business on its own. Franchisees also need to invest in capital to run the business (Hanafiah, Hashim & Abdullah, 2014). The characteristics of a franchisee entrepreneurs contains sense of ownership, goal oriented, risk taking, self-reliance, competitiveness, internal control, autonomy and innovative. The personality traits of a franchisee entrepreneur include having entrepreneurial spirit, strong desire for achievement and success, as well as being ambitious.

2.1.4 Communication

The role of communication is very important in a franchise business as it affects trust and commitment of the franchisees towards the franchisors, which ultimately influence the satisfaction of the franchise system (Chiou, Hsueh & Yang. 2004). These factors will impact franchisee's decision to continue staying in the franchise system. Further, since franchise is a labor intensive and consumer-oriented business, it is essential to have the franchisees with good communication skills to manage the business and employees as we as to interact with the consumers rightly (Komoto, 2005).

2.1.5 Franchise relationship

The relationship quality between the franchisor and the franchisee also contribute to the success of the franchise business (Bordonaba-Juste & Polo-Redondo, 2008). Franchising business is a contractual agreement between the franchisor and the franchisee, both parties need to agree to cooperate and work together. Building a satisfactory relationship between the franchisor and the franchisee is critical to the

success of a franchise business (Watson & Johnson, 2010). The relationship time influences the connection between relationship quality and financial performance. The study stated that a longer relationship with franchisees builds a better and stronger relationship quality and financial performance to the franchise business. This supports the franchise business growth, profitability and long-term success for the franchise business (Varotto & Parente, 2016). To build a solid relationship with the franchise network, franchisors should conduct an analysis and build systems, procedures and support that are essential to support the franchisees (Wilson, n.d.).

2.1.6 Marketing strategy

Having a well-developed marketing strategy helps to define right customers and satisfy customer needs. A successful franchising is achieved by conducting a marketing strategy, which essential in a franchise system (Almeida, 2020). For franchise business that is operating abroad, it needs to implement international marketing strategies to meet the needs and characteristics of the local market along with a centralized decision-making system, which helps to build a consistent brand image (Cantoni et al, 2017).

2.1.7 Business internal process

Turning a business into a franchising business, it requires a standardized process and a system for the franchisees to adapt and implement. Business internal process are considered as the indicators for franchise business success which involves quality control, service, safety and production process effectiveness (Sanphiphat, 2017).

2.1.8 Franchise knowledge

The study reflected that the success of a franchise relies on the capacity of the franchisors transferring the knowledge to the franchisees. However, it also depends on the franchisee's capacity to absorb and implement the transferred knowledge from the franchisors into the business correctly (Monge, Sanz & Zavala, 2017).

2.2 Key challenges for franchising

Some businesses have successfully started their franchising adventure, but they also face challenges while managing the franchising business with its franchisees over time.

2.2.1 Change in business environment

Dynamic change in the business context also contribute challenges to the franchise business (Tonder & McMullan, 2010). This can account to the increase of competitors, new business trends, game changing businesses which can all potentially impact the survival of the businesses. Businesses need to continuously come up with effective strategies to encounter these potential threats that are brought from the change in the business environment.

2.2.2 Quality maintenance

Franchise businesses tends to have declined in quality as businesses expand and grow in numbers (Minieri, 2020). Franchisees also have the autonomy to control over the operation, which they may not always follow the guideline from the franchisor. Further, franchising business is a labor-intensive business which can have a easy break on the consistency over the operation which can influence the quality of the product or services providing to the customers.

2.2.3 Franchisor role

Franchisor needs to understand that they are managing a franchise not solely a business. They need to be able to add training and support to the franchises, in contrast to focus on staffing and expense control like a business owner (Minieri, 2020).

2.2.4 Branding management

Managing a brand is one of the main challenges for the franchisors, and the responsibility is also shared to all franchisees (Pitt, Napoli & Van der Merwee, 2003). The increased number of the franchise chain size can challenge franchisor's control on the franchise brand as it becomes challenging in controlling the consistency of the franchisees. Franchisees also have the power to control the operation and may not

always follow franchisor's guidelines; this can be a risk to harm the franchises' brand equity (Lee, Kim & Rhee, 2021). The study also shows that franchisee's have greater impact to the brand equity than the franchisors as it is the franchisees that directly provide products or services to the consumers.

These challenges are the obstacles that franchisors must overcome before they even come to count the profit and actual franchising expansion for the business. Without overcoming these challenging factors, franchising business will also not become success.

CHAPTER III
RESEARCH METHODOLOGY

3.1 Methodology

This research will implement qualitative research methodology by in-depth interview with 4 respondents that are well experienced in the franchise business in Thailand. There are two screening questions to filter the respondents to ensure their years of experiences are matched to the research requirement. And there are eight questions focusing on what and how to explore the respondent's franchise business and reasons of success. The duration of each interview is approximately 30 – 60 minutes, depending on the length of explanations given from each interviewee. Due to COVID-19 and convenience for the interviewees, the interviews are conducted via virtual meetings.

3.2 Reason of methodology selection

In-depth interview technique is adopted as the data collection approaches because we want to obtain a depth information and details about the experiences and opinions of these franchise business owners on how they managed to operate and expand the business in Thailand successfully during the years.

A list of self-administered open-ended questions were formed because we would like the interviewees to provide explanations to their statements and perceptions. This will also allow the interviewees to elaborate their explanations in detail.

A list of open-ended questions was developed because they will help to frame the overall structure and content for this in-depth interview.

3.3 Interview questions

1. How many years have you been working in the franchise industry?

2. How many franchise stores do you own?

3. What is the service or product for your franchise business?

4. When did you start the first franchise business?

5. How do you manage to expand your franchise business?

6. How do you manage your partnership with franchisees?

7. What were the main challenges during your franchise business?

8. How did you overcome these challenges?

9. What do you perceive as the biggest dangers that could cause failing in a franchise business?

10. What do you think is the most important factor (key success factors) when managing a franchise business?

Reflective note taking will also be used to record observed data because it helps me to assess the opinions and explanations of the interviewees from the questions asked. This will also help me to analyze and develop new understanding of the topic in response to the interview.

Convenience sampling was utilized as interviewees were franchise branch manager and franchise business owners.

3.4 Screening questions requirement

1. How many years have you been working in the franchise industry?

2. How many franchise stores do you own?

Following the literature study, we first study the overall success factors of the franchise business and the challenges that franchise business needs to encounter. This gives us an overview of the process that most franchise businesses had to go through from challenge to success. This study will use these factors as a framework and compare with the context in Thailand from the result of the interview.

3.5 Company selection and data collection

The research is conducted with 4 interviewees as the sample size. The selected respondents are either the franchisors, franchisee, or the managers of the franchise stores in Thailand with at least one year experience working in the franchising industry, with at least one or more operating store in Thailand. These respondents will be able to provide the research with detailed information and insight to managing a franchising business.

CHAPTER IV
RESEARCH FINDINGS & DATA INTERPRETATION

This research is conducted as qualitative research through a one-on-one interview with four interviewees who are in the management levels or has obtained experiences working in the franchising business in Thailand. There were 10 questions being asked, in which 2 of the questions were screening questions. While the rest of the questions were asked to the interviewees to reflect their experiences and perspective from their franchise business. The research aims to find the factors that can contribute to success and growth in the Thai franchise industry.

4.1 Participant I

The first participant is from a global quick service restaurant company with over 20 years of experience in the franchising industry. Her company is operating as the franchisor and partner with its franchisees by giving authority to operate and expand the business across locations in Thailand. The company manage open 930 stores in Thailand since the first establishment in 1985 until date.

The franchisor was able to expand its business as it went through three phases of business remodeling. First phase was the combination of equity stores and franchise stores, and solely partnership with only one franchisee in Thailand. During the second phase of the franchise business in 2016, it sold an equity store to the second franchisee. The company have reduced 65% of its equity stores downward. While in 2019 the company sold all its equity stores which is known as the refranchise phase to a third franchisee partner. As a result, all the company's restaurants in Thailand today are owned by its three franchisees. The company was able to ask for the commitment from the franchisees to open more stores within certain period, and this is how its restaurant franchise business was able to deliver significant growth in Thailand.

To manage a good partnership with its franchisee, the franchisor first needs to define a good franchisee that you want to recruit. This franchisor recruit franchisees based on its 3Cs values which are commitment, capability, and capital. Commitment means a franchisee wants long term growth and believe in the brand. Capability means the franchisee has resources and people to open a lot of stores and run the stores. Capital means the franchisee have money to invest and upgrade the stores. As a result, it is essential to find the right partner of franchisee. Thus, the franchisor did not choose to recruit small franchisees, because smaller franchisees have limitation on increasing their capacity and limitation on increase their capital onto the business. Further, to find a good franchisee, the franchisor needs to first check and make clear that the franchisees are self-sustaining in leadership, financing, and human resource operation. Thus, the franchisor does not have to support the franchisees in running the business, while the franchisees focus on opening and running the stores. While the franchisor, as the brand owner collect a percentage from the franchisees' revenue as the advertising fund to do marketing. The franchisor is responsible for leading and building the brand, as well as developing marketing plan. The franchisor focuses a lot on developing the brand strategy and yearly plan together to ensure its alignment. The franchisor also has its own review process to ensure each franchisee has the capability and leadership on operations, as well as the quality of the franchisee employees.

Then in the process of partnership management, the franchisor needs to establish a very clear standard for the policy, because without clear standards and consequences it will be hard to see and measure how the franchisees perform. The franchisor also develops incentives to the franchisees, by giving bonus when a certain promised goal is delivered. The franchisor and franchisee also develop a culture that both parties can work together. In this case, it is cooperation of two big companies, thus both parties of the franchisor and franchisee have defined and develop one culture where they can work together as a family.

The interviewee reflected that there some challenges they must face as a franchisor, even though they have a long and successful business footprint in Thailand.

First is consistently achieving standards by the franchisees. As a franchisor, the company needs to always do auditing and ensure the franchisees are delivering the products and services to customers up to the required standards includes food safety,

food quality and customer experiences. To overcome this issue, the franchisor needs to make sure the standards can connect to how the franchisees can build the business. This is because if the standards built by franchisors are not related to the franchisees business, then the standard will not function as it should. The franchisor also needs to support franchisee's capability, by adjusting their skills and capabilities to connected to the business. As a result, franchisor need to develop essential trainings and motivational brand incentives to get the franchisees to meet higher standards. However, sometimes the franchisees feel that they cannot deliver to meet the standard, such as food safety which is difficult for some of the franchisees. The franchisor will also try to understand the insight from the store managers. While most of the time, the insight is usually the believe of the store managers in the sense that they believe it cannot be done, then most of the time they cannot meet the standard. Alternatively, if they believe it can be done, then most of the time the store managers achieve with exceeding the expectations. To overcome this challenge, the franchisor will ask the store to share the best practices to the less performing stores. This allows the franchisor to be in the middle and have an objective view on the performance of the stores, and what has been done the same or different by the stores.

Secondly is the commitment and capital from the franchisee. The partner franchisees are conglomerate company, and they also have other restaurant brands. The challenge is to ensure the franchisees can allocate enough capital to the managing brand. To overcome this challenge, the franchisor must ensure that they have the best business model among the same franchisee business industry, thus the franchisee will see that investing in this brand will give them a better and consistent return. And this was reflected from the COVID-19 case, as most of the restaurant brands were badly hit by the pandemic, while this brand remains to have the least impact from the pandemic and deliver better result than other brands.

Thirdly is franchisee's commitment to digital progress. There is no certain solution from digital package that can help to solve all the problems in a business. Digital in business terms including ecommerce or digital marketing requires consistent progressing and is very dynamic. The challenge here is how the franchisor can take franchisees to work together and influence them to invest more on digital, even though

there is yet prove on the actual success of implementing those tools on the business success for this case.

The respondent reflected that one of the dangers that could cause failing of a franchisee business is how to keep the business model most attractive to the franchisee. Reduce on the attractiveness of a business model can cause loss commitment of the franchisees, because they will no longer see the benefit of growing the brand. As a result, the franchisor needs to keep up with the trend and able to adjust to fit to the local franchising culture.

The interviewee responded that there are three main key success factors of managing a franchising business which is strong brand, attractive business model, standard and the relationship between franchisor and franchisee.

Firstly, sustaining a strong brand is one of the key success factors of managing a franchising business. This franchisor was able to obtain a strong brand because they managed the advertising fund and ensure they do not lose the complacent on the advertising fund. The franchisor ensures the ongoing operation and growing of the advertising, despite sometimes the franchisees request for deduction on the advertising budget. Having a consistent advertising fund allows the franchisor to ensure the brand can keep growing stronger. As a result, when the brand is strong, it adds value to the business model, and it also helps the franchise business to expand and penetrate to reach customers with a higher chance of success.

Secondly, an attractive business model is also an important success factor for a franchising business. The franchisor needs to constantly look at the restaurant format and adjust to the dynamics of the market and ensure that investment is in line with the return.

Thirdly, standard is another success factor for a franchising business, as this is the standard format and procedures that the franchisee teams can use and adhere to. This will allow a consistent product and service quality across branches, where customers can find the same without disappointment.

Finally, the relationship between franchisor and franchisee is another success factor. As all the agreement is written down in contract, but without relationship it is very hard to look at it holistically. Thus, to be a world class franchisor, it must hold up the standard, knows your right and set up the obligation in the contract, whilst

constantly nurture the relationship with the franchisee. This good relationship will bring in trust and collaboration, which can avoid the franchisees implementing new ideas without informing or without engaging with the franchisor.

4.2 Participant II

The second participant is from hospitality franchising business with over 15 years of experience in this industry. The business has global presence with franchisee role. It currently has one store located in the center of Bangkok.

The franchisor of this business expands its hospitality business through umbrella branding strategy in which they provide same services to customers but are presented with different name and branding to customers in Thailand. While each of its brands can also operate in multiple branch and location as well. The expansion goal is depending on the franchisee's intention and capital.

As a franchisee, they partnership and work closely with the franchisor by obtaining support on expertise, and hospitality management experiences. They franchisor creates a standard servicing procedures and trainings to the franchisee team. They also offer professional guidance to help the franchisee team to operate and function well and keep up to global standard.

The main challenge of managing this business is having its staff to adjust and adapt to the brand standard, and to meet the customer's expectation, thus, to provide a qualified service to the customers. To overcome this challenge, both franchisor and franchisee team need to work together by filling the gap with continuous education to the team with standard servicing knowledge and trends, which will allow the team to upgrade the service quality standard from time.

The interviewee reflected that the biggest danger that could cause failing in the business is when they do not have right customers coming into the business. For example, due to COVID-19, travel restriction has stopped a lot of tourists come into Thailand. Their customers become domestic customer who are doing staycation which help the business in short period but are not the exact right customer in long run, and does not fit to their business model. This ultimately reflected that the business survival is based on the business environment and the government policy.

The interviewee answered that the key success factor for hospitability franchising business is customer service and staff quality.

Firstly, in this industry, employees must be able to provide quality customer service to the customers for satisfying customers as well as maintaining its brand image. However, the respondent also reflected that employee must also be able to be aware and know the additional services that they can provide the customers to exceed their expectations, which is beyond the standard procedures, and this link to the second point below.

In this industry, staff quality is essential contributing to the hospitality franchising success. Quality staff means they can provide and proceed standard quality services to the customers. They also require quality mindset and right attitude when doing their job. When a staff can deliver service exceeding expectations, they are using their creativity, and this is an excellent skill where they account as valuable human resources asset to the business.

4.3 Participant III

The third participant has over two years of experiences in a global quick service restaurant franchising industry. This global food restaurant franchising business was established in 1985, with over 200 operating stores in Thailand. The participant is speaking as the representative of brand's franchisee in Thailand and is responsible of growing and operating the franchising business for the brand across the provinces.

This franchisee was able to grow and expand the brand and numerous stores across Thailand through business growth strategy. The participant reflected that according to the franchise agreement with the franchisor global team, the franchisee is committed to open a certain number of stores each year in Thailand to expand the business. To achieve this, they have implemented business growth strategy and aimed to open the stores in malls where there is higher traffics of customers. Before making the investment, the franchisee will need to make estimation of the traffics to ensure that the profit could make a return within estimated timeframe. This includes the consideration of competitor stores at the surrounding locations, convenience of the store location that is easy for logistics delivery.

In terms of partnership management, this franchisee works closely with the franchisor global team as the team have extensive experiences in developing and implementing business strategy across the countries globally such as Malaysia, Taiwan, Japan and more. The global team will also provide guidance and strategy to the franchisee that fits to Thai business environment, and it involves localization of the product to Thai culture. The franchisee also works closely with the franchisor's Action Business Unit (ABU) which helps the franchisee to control the standards and suggestions when implementing localization strategy.

The participant reflected that there are several challenges in this franchisee business including competitors and brand image attack.

The first challenge addressed from the franchisee is competitor. They must overcome the challenges from the competitors whom constantly and actively come up with new and interesting products to attract customers. While this franchisee is restricted with the standard policy, whilst the brand is focusing more on family and children market. Therefore, it is difficult and sensitive for the franchisee to always initiate new product development or new campaign like its competitors without affecting the brand image.

Further, the franchisee must also face challenges with the brand image attack from the competitor advertising, which gives negative impact to the brand. However, according to the franchisee, they do not take action to attack back and aims to be friendly to all competitors. While the franchisee will need to come up with the campaigns to overcome negative messages, and due to the standard policy and procedure, it usually takes long time to conduct. The franchisee also needs to request for permission from the ABU to initiate any creative campaigns or activities.

The interviewee answered that the biggest dangers that that could cause failure to the current franchise business is product quality and staff quality standard.

Firstly, product quality is one of the biggest dangers to this franchisee business. For example, if any low-quality products are given to the customers, it can easily go viral via social media today. And this can damage the brand image and brand credibility. When this event occurs in one store, the customers will believe all its stores in Thailand are using low quality product, and this can break the company system.

The second danger to its business is the staff quality standard. The franchisee needs to recruit people staff that have a right and good service mind. If the staff does not have good emotional control or service with bad attitude, they can easily damage the brand image.

The respondent reflected that the key success factor to managing this franchising business includes quality people and product and product localization.

Firstly, quality people and product contribute to the current franchising business. It is essential for the franchisee to deliver good food, good product quality and good service mind as promised to the customers across all branches. If all stores can meet these fundamental requirements, the customers are more likely to return, and the business can maintain its success. Aside from having the policies to maintain the standard, staff training is also one of the most important aspect for maintaining the standard. This is a way to ensure all the staff is acquiring the same business culture, knowledge, attitude, and service style. To examine this success, the franchisee will conduct mystery shoppers to store to investigate and test the staff service and quality. Further, the franchisee has set up its own academy for the restaurant staff and have a proper promotional career program. For example, if the staff have finished the training and pass the exam, then they got an opportunity to step up another position, and potentially becoming a store manager. This program ensures the company can have a higher staff retention rate, which also reduces the company resources to retrain staff, and allows the company to maintain the standard from top to down through experienced and trained staff.

Secondly, product localization is also another key success factor for the business. According to the interviewee, localize products create curiosity to foreign customers to purchase despite they already have the same brand in their country. While localize product will fit to the Thai culture and Thai customer's taste, which allows to attract purchase from the Thai customers. Product localization strategy also helps the brand's product to be distinguished from the competitors and create more opportunities for their brand in the market.

4.4 Participant IV

The fourth interviewee is a local Thai franchisor who has opened a food franchise business in Thailand, with over one year of franchising experience. The business was established since early 2021. And she currently has nine franchisee stores across provinces in Thailand.

The interviewee reflected that she could expand her franchise business within short period thanks to the technology and social media which allows faster spread of mouth about their product and brand, which helps to also increase connections through online. This makes people to get interested of her product and brand and want to get involved into the business. With higher exposure of the business through digital, the business was able gets to increase its visibility, publicity, and credibility to the public.

To manage a good partnership with the franchisee, there are elements that the interviewee considers from the franchisor side which includes a standard ordering and delivery system, good communication, setting reasonable margin and incentives.

Firstly, standard ordering and delivery system is required for managing a good partnership with the franchisee. This is the process where the franchisees make an order of the products to the franchisor. The franchisor has set up a system that allows all parties to easily make orders, and products are delivered on a regular time basis. The system helps to build a trust and good cooperation between the franchisor and the franchisees.

Secondly, good communication is essential for managing a meaningful partnership with the franchisees. The establishment of a good communication helps to build a good and long-term partnership with the franchisees. This help to avoid confusion in the business and allows both parties to understand each other easier, coming into agreement faster and cooperate in long term.

Thirdly, setting reasonable margin is needed for managing a meaningful partnership with the franchisees. The franchisor did not place a high margin to gain profit from the franchisees. All the pricing strategy were set in a reasonable manner, where all parties are also able to generate a satisfactory profit from the business. The franchisor wishes to sustain the business and want to ensure the franchisees can also survive and operate the business in long term, as a result, so that the franchisees see the benefit of continuing to the run the business operation.

Finally, developing incentives is essential for managing a meaningful partnership with the franchisees. the franchisor develops gift vouchers to the franchisees at the end of the year, that allows franchisees to redeem for discount on the orders they made to the franchisor. This helps to create a continuous good relationship and partnership with the franchisees.

The interviewee reflected that there are challenges when managing a franchise business includes material ordering and product standardization.

1). Material ordering – it always requires big order quantity from the factory. However, the factory sometimes is not able to deliver as ordered in terms of quantity or meeting the required standard. It is the franchisor's responsibility to solve the issue with the suppliers through communication, common agreement and seek for cooperation. It takes time and ability for the franchisor to build a good relationship with the supplier, which will increase their willingness to support and solve problems for your business. Further, as a franchisor it also requires creativity, quick thinking, and connection to solve the issues.

2). Product standardization – sometimes the franchisees are not able to meet the standard product requirement, which can cause product inconsistency across the branches. The complaints are issued by the customers. As a franchisor, it is important to manage the product quality and standard consistency across branches. To solve the issue, the franchisor needs to constantly communicate with the franchisee and feedback on the issues from each branch, and request for immediate action on the adjustment.

While economy is a big danger that the interviewee considered which could cause failing in their franchise business. Currently, there is a sponsor program from the Thai government for Thai citizens on paying half of the price for the items purchased aiming to boost the domestic economy and domestic expenditure. However, when the program ends, it is expected that the Thai citizen spend will decrease again. And this will impact the business and reduce their monthly revenue.

Considering the important factors in managing a successful franchise in this business, the elements including creative food ideas, product localization and constant creation.

Firstly, this franchisor was able to own its current success because their creative food idea, which was new and there were not many competitors at the beginning

stage. This is the power of creativity which allows the product to be unique in the market, which generate business opportunity and brings freshness and interest to the customers who have never tried before.

Secondly, the franchisor implemented product localization by localizing the food flavor through its secret recipe that suites Thai people's taste. This allows the product to be different from the competitors and remembered by the customers, which helps to bring customers constantly return to the store.

Finally, constant creation is also an important element contributing to the success of this franchisee business. This is because in the food industry there are many competitors, while the food sold by this franchisor is not the mainstream food for Thai customers. Therefore, the franchisor needs to constantly be creative and develop new food menu to attract customers return, taste and experience.

4.4 SYNTHESIS

From the interview of the four participants from different business types of franchising industry, the findings suggest that the success of a franchising business accounts based on internal factors. The internal factors are factors that are controllable by the franchisor or franchisee including strong brand, attractive business model and strong relationship between franchisee and franchisor, service and quality of the staff, product localization, creative food ideas and constant creation.

CHAPTER V
RECOMMENDATIONS FOR PRACTICAL USE

5.1 CONCLUSION

This paper aims to research and find the factors that can contribute to success and growth in the Thai franchise industry. According to the interviewees, the success factors are based on internal factors which can impact the franchise business in different way. However, creating a successful franchising business is not solely relying on the indicators of the success factors. Entrepreneurs should also consider the challenges and dangers that can be involved in a franchising business, which can help the business to overcome potential pitfalls.

5.1.1 Success factors

Internal factors are considered as controllable factors by the franchising company includes a strong brand, attractive business model and strong relationship between franchisee and franchisor, service and quality of the staff, product localization, creative food ideas and constant creation. It takes effort, time, and resources for the franchise operation from top to down in the team to all get involved to build strong of these pillars to make their franchising business standout from the competitors and to become well known in the market.

Looking into details of these success factors, the starting point is based on knowing how to satisfy Thai customer's needs, and constantly generating interests and demands from the customers. While managing a good relationship and partnership between franchisee and franchisor is a long-term business success strategy which is a recipe for the franchising business as this allows the franchisee to constantly get support, guidance, and resources to operate the business, whilst the franchisors received trust and commitment from the franchisees for continuous business partnership and business expansion.

5.1.2 Dangers cause to failure of franchise business

On the other hand, there are also dangers to cause failure in a franchising business which are essential to be aware of and need to be prepared to prevent from the pitfalls. While the consideration of dangers that can affect the failing of the franchising business is different among the franchise business by size. The smaller franchising business considers more about external factors such as economy, government policy and not having the right customers in the business; these are uncontrollable issues for the businesses. While medium and big franchise business will consider more about the internal factors such as how to improve the business model to keep it attractive to the franchisee for their continuous partnership and investment, as well as continuous improvement on the product quality and staff standard to attract return of the customers, and to ensure the continuous growth and profits of the business.

5.1.3 Challenge commonalities in franchise business

The common challenges among the franchise business regardless of the business type is achieving standard across the stores. Although the franchisors have established its standard policy and guideline for the teams and franchisees to follow, it can still be difficult to have all branches following the same without 100% error, this includes products, services, and people. This will require a continuous collaboration, communication, partnership and patience from the franchisors and franchisees to come together and solve the issues.

5.1.4 Challenge differentials in franchise business

There is a different challenge perspective from the big franchise business and small franchise business. The bigger franchisors have more challenges ensuring the continuous commitment and capital investment from the franchisees, because only the franchisees can help the business to expand. Thus, the bigger franchisors need to know how to and able to continuously make the business model attractive to overcome its competitors.

While overcoming competitors and brand image attack is another aspect which medium large franchisee need to tackle from time to time. This is nonrelated to

the business model but relate to how to respond to the competitors appropriately and correctly with better products and better improvement of the brand image.

5.1.5 Importance of partnership management in the franchise business

The findings suggest that it is important to develop and nurture a good partnership with your franchisor and franchisees. The partnership management can be different by the types of franchise business and business size; however, the ultimate goal of partnership management is for developing a sustainable partnership, collaboration and business growth in the long term. Interestingly, the partnership management in franchise businesses relies more on building and following the standard system and policy to avoid too many needs of the changes in the future such as the ordering system, margin, standard servicing procedures and standard incentives. With a good partnership management, both the franchisors and franchisees received the mutual benefit by being more committed to the business, collaboration on strategy development and future business expansion.

5.1.6 Implementation of digital in the franchise business

We also find that despite the conventional franchise business is expanding through physical stores, with the digital era today, it also needs the support and implementation of digital to expand the business. The use of the technology and the proportion of digital usage is also depending on the size and the needs of the business. In a bigger franchise business size with over hundred stores, they may need to invest more on digital to create a smoother flow system, keeping customer data as well as for creating brand image purpose. Whereas a smaller franchise business may only need to invest a few amounts on digital to just create its brand and product awareness to the customers and not so much for creating a smooth flow system, since the business size is small, human capital could be sufficient to manage a good flow of the process.

5.1.7 Supply chain system in franchise business

In a smaller franchise business, the franchisor will need to face more issues on the supply chain than the big franchise business. The smaller franchise business has less stable supply chain system with issues related to product standardization, product

quality, fewer suppliers, and connections. This is usually an urgent issue which requires a large and active involvement by the franchisor to solve as soon as possible, because it will affect the franchisor's credibility, brand image and the supply chain system to the customer side as well. Whereas the bigger franchise business may not need to face much of the supply chain issues, as it is not reflected in their response and part of the critical issues to consider for challenges or dangers. This may be due to larger franchise business have a more mature establishment of its supply chain system, as well as having more human resources and connections to more suppliers to solve the logistics and supply chain issues.

5.2 RECOMMENDATION

This research finding contribution is recommended to SMEs that are operating a franchising business or individuals that are looking to operate a franchisee business with a franchisor in Thailand.

For the SMEs, this research can contribute as a guidance and inspiration to manage a franchise business when they are struggling to sustain or expand their franchise business. There are success factors from the well experienced franchise businesses that the SMEs can take into consideration and implement into the business.

While for the individuals that are looking to operate a franchisee or franchisor business in Thailand, this research can be used as a reference on the challenges, dangers that they need to look out for when operating a franchising business in Thailand. They can also implement the success factors to help boost their franchise business growth.

5.3 FUTURE RESEARCH

This paper has investigated useful and meaningful insight from the experts that have been experiencing and working in the franchise industry in Thailand. In the future research there are other areas that can be further discovered in the franchise industry in Thailand which are franchise personality traits, create franchise business model and right implementation of digital in franchise business

Firstly, it can be useful to continue the research of this paper with the focus on franchise personality trait by conducting an in-depth interview with more franchisors and franchisee. This can allow to find the entrepreneurial personality trait in the franchising business, which individuals can identify or develop on their personal characteristics and traits and justify if they are suitable for the franchise industry.

Secondly, the future research can continue with the focus on how to create a right franchising business model, because attractiveness of a business model is essential to keep franchisees committed. It will contribute to the knowledge of how to identify the problems of the customers and building attractiveness elements in a franchising business model which can help to build to more success franchising businesses in the future.

Thirdly, the research can also continue with the focus on how to best implement the digital into a franchise business to help support and boost franchise business growth.

In the current research, both small and big franchisor have mentioned the implementation of digital in their franchise business, however they implement it differently, and even the big franchisors are struggling to implement the right digital technology in the business. As a result, the research can help to develop a guideline on how to implement the right digital by identifying the right needs and right issues of the business.

5.4 LIMITATION

With the limited time frame, there are some limitations to the findings of this research.

Firstly, the research has not found enough equal company size of franchisee and franchisors to participate in this research. The interviewees are representing from global franchisee, global franchisor as well as local SME franchisor, and each are operating in a different stage of the business. Due to different business size, style, and experiences, the perspective of managing a franchising business from each person can be different.

Secondly, there may be insufficient number of interviewees participating in this research to provide sufficient information and reaffirm the same factors effecting challenges, failure, and success of a franchising business for this research.

Thirdly, the interview participants are not limited to the business owner, the research also involved management level that have experiences in the franchising business to provide the insight. The perspective and experience can be different as an owner and an employee.

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