

# Franchising Business in the Philippine Setting: Case Analysis

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## Abstract

can be adapted by an organization as a strategy for business expansion. Most people who are planning to start or build a business usually choose to franchise a well-known restaurant so they could avoid having problems like bankruptcy or taking the risk of starting their restaurant or business. In the field of the Hospitality industry, it is normal to have a business or to franchise a business, not only in the Philippines but also worldwide. By franchising, there are many companies and restaurants that became widely known locally and internationally.

This descriptive research aims to determine the advantages and disadvantages of business franchising, identify the risk factors of franchising restaurants and distinguish the factors that contribute to the decision making of entrepreneurs to choose to franchise a business that will then help the researchers to write a case analysis on how to franchise a business in the Philippine setting. The researchers prepared sample questionnaires that will be answered by the respondents to collect precise answers. This study will make use of the explanatory methods of the research approach. Based on the analyzed data, most of the franchisors and entrepreneurs think that start-up assistance is one of the advantages of franchising restaurants, to be followed by marketing, name recognition, the experience of franchisor and proven system operation. Aside from the long-term content, sole sourcing, being dependent on franchisor's success and limited creative/flexibility, the entrepreneurs and franchisors think that royalty payments are one of the biggest disadvantages of franchising because aside from the franchise fee, after a year the franchisor will also pay a royalty fee. To be a successful franchisor, the entrepreneurs and franchisors think that being a risk-taker is one of the most common traits that a successful franchisor should possess.

The researchers' main point in franchising a business is, entrepreneurs need to be careful and peculiar because it's not just the money is being invested to it but also efforts and hope. Starting a business is not that so easy. There's a need for knowledge to know everything starting with the place for the business and also study the target customer.

## Article History

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## I. INTRODUCTION

Mostly, people who planned to start or build a business usually chose to franchise a well-known restaurant because of the thought that they could avoid problems like bankruptcy or taking the risk in starting their restaurant or business.

In the field of the Hospitality industry, it's normal to have a business or to franchise a business, not only in the Philippines but also worldwide. By

franchising, some restaurants and companies became widely known locally and internationally. Franchising was based on a marketing concept that could be adopted by an organization as a strategy for business expansion. It helped people who wanted to start and grow their business, without having their capitals at risk.

Aside from business expansions, there were also a lot of advantages why franchising can be a great

start in a business venture. It is one of the most conventional strategies for business growth, economic development and job creation for those in the community. To have a successful franchise, one must combine talent, experience, and knowledge for the franchisor.

Franchising was one of the most successful businesses that were presented in the market until now. It continued in supporting a reputable trademark, had a proven marketing and operational methods. Franchisors not only had training programs, but also the knowledge of financial requirements, marketing strategy – these were all valuable knowledge that was useful for business that may take years to obtain on its own. Franchisors offered a product or service that sold successfully in the market. The franchisor management team increased the potential for success that offered local and international name recognition.

## **II. STATEMENT OF THE PROBLEM**

This study aims to answer the following questions:

Identify the risk factors of franchising restaurants.

Determine the ways of franchisors in marketing their business to a potential franchisee.

Distinguish the factors that contribute to the decision making of entrepreneurs to choose franchising a business.

## **III. SCOPE AND LIMITATION OF THE STUDY**

With limited sources, this study achieved its goals with the help of 30 respondents which was consisted of 15 entrepreneurs and 15 managers. The questionnaires were given around San Jose Del Monte to different businesses. The study was conducted throughout the semester.

## **IV. SIGNIFICANCE OF THE STUDY**

This study aimed to show the concept of franchising in restaurants and the food industry. Show the Pros and Cons of franchising a business that could help those people who wanted to start a business. This study could be an eye-opener to those people who are interested in franchising or even building up their own business. This research could also be their guide or reference in the as they pursue their plans and goals in the business industry.

FCPC BSHM students could benefit from this study especially to those who are planning to start a business after graduating from college. It could also be used as a reference for their feasibility study.

Future entrepreneurs will have more knowledge about starting a business and compare which one is better, to start and take a risk in building their own business or putting up a franchise.

Businessman or Entrepreneurs who already have franchise could also learn from this study because of the included topic about the Pros and Cons of franchising a business or a restaurant. It may also help identify any problems in the franchise business relationships for possible corrective action plans to solve any problems that may encounter.

## **V. PARTICIPANTS**

A total of 30 respondents were used in this research which 15 were managers and 15 were entrepreneurs. Both respondents were given the same sets of questions. The researchers divided the population to obtain more and fair information. The questionnaires were given around San Jose Del Monte.

## **VI. DATA COLLECTION**

The major source of data was derived from interview questions prepared by the researchers, which were presented to the respondents that functioned as the research device and basis for the possible formulated answers and percentage.

The researchers seek particular places where the stated inputs from the respondents of this research can be found. Searching and going to specific places where experts or specialists were situated and required attention from the researchers that established the credibility and integrity of the study.

### VII. DATA ANALYSIS PROCEDURE

The data were presented in tabular form where the statement of the problem determined the advantage and disadvantages of franchising restaurants.

### VIII. PRESENTATION OF FINDINGS

The researchers interviewed with 5 people who were working or owners of a business cart or food stop. Analysis and interpretations were made based on the answers given by the respondents.

The questions that the respondents answered were the following:

How do you attract potential franchisees?

Who encouraged you to franchise your own business?

Why do you think some business owners here in the Philippines chose to franchise a business?

The respondents' interview answers were presented below.

**Table 1 Attracting potential franchisee.**

|   |
|---|
| <b>QUESTION 1 HOW DO YOU ATTRACT POTENTIAL FRANCHISEE?</b>  |
| "We attract potential franchisees by the package that we offer. They can start their own business in a small package that can earn as much as their initial capital. You don't have to attract or sell people the Milktea itself because Milktea is very timely and it is popular in today's generation."<br>Owner, F-Degrees |
| "Maybe through advertising/websites. Nowadays, our technology has been evolving, since almost half of the people living in our country are using social accounts or can access the internet, it would be a great strategy to showcase your product/business to the potential franchisee. "                                    |

|   |
|---|
| <b>Student, Bachelor of Science in Hospitality Management who wants to franchise a business.</b>  |
| "I will attract potential franchisee by giving the information, a detail that it's worth it to franchise here. I can attract them base on the quality of my product. Because the quality of the product is an important factor to attract and convince your franchisee, and also by giving full credits and information so that they will know about the product."<br>Food Stop Owner, Near the school premises |

Table 1 showed how franchisors attract potential franchisee, it was analyzed that due to the food trend today potential franchisee wasn't that hard to achieve. Also, social media helped promote and market business franchise; tike through Facebook, Twitter, and other popular social media platforms shared information about the franchise system and engagement with prospects. Potential franchisees asked questions and got to know the business, which could help them pushed toward deciding to form a partnership.

**Table 2 Encouragement in franchising a business**

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|--|
| <b>QUESTION 2 WHO ENCOURAGED YOU TO FRANCHISE YOUR OWN BUSINESS?</b>   |
| "We were inspired by the bigger brands that offered franchise, but the main thing that we prioritized is how we can make it affordable for those people who want to start up their own business, by not risking their whole savings in a business. Our main goal is to help people to be an entrepreneur and to widen the community of entrepreneurs here in the Philippines."<br>Owner, F-Degrees |

**“Some significant person or maybe some have the advice to grab this opportunity. But, it’s always yourself who make decisions for your own.  
Student, Bachelor of Science in Hospitality Management who wants to franchise a business.**

**Food Stop Owner, Near the school premises**

Table 2 showed how the respondents were encouraged to choose franchising a business rather than starting their own. Other people may inspire a business owner to the franchise but at the end of the day, it’s still the owner’s choice to do so. It’s still a considering the fear of the potential clients for starting up is really taking risks but after taking risks, the business goal will eventually be achieved someday.

**Table 3 Reasons in the franchising business in the Philippines.**

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|--|
| <b>QUESTION 3 WHY DO YOU THINK SOME BUSINESS OWNERS HERE IN THE PHILIPPINES CHOOSE TO FRANCHISE A BUSINESS?</b>  |
| <b>"It is risky to create your brand and to create a certain name. It is also hard to be on a certain point of trial and error. That is why franchising is an option for those that are willing to leap but not willing to take too much risk in the business."<br/>Owner, F-Degrees</b> |
| <b>"I think because it’s convenient since business also offers an all-in process. And businessman doesn’t want to have stress regarding the money or debt."<br/>Student, Bachelor of Science in Hospitality Management who wants to franchise a business.</b>                            |
| <b>"I think it’s because of the brand reputation and market here in the Philippines. Business name and quality products are both important to customers."<br/>Food Stop Owner, Near the school premises</b>  |

Table 3 showed the reasons for the franchising business in the Philippines. Respondents were certain about the convenience of franchising rather than starting their own because of the on-hand knowledge and experience on how to handle the

business and become successful with the guidance of the franchisors.

**IX. SUMMARY OF FINDINGS**

Franchising is opening your own business to others who want to start up their own business. It is like giving your full support through stocks, security, and the reputation of your business. It is a marketing concept that can be adapted by an organization as a strategy for business expansion. There can be some advantages and disadvantages when franchising a restaurant that a potential franchisee should know before or even after having a business.

After conducting this study, the researchers came up with the following findings;

The Statement of the Problem number 1 will be answered in numbers 1 and 2.

Most of the franchisors and entrepreneurs think that start-up assistance is one of the advantages of franchising restaurants, to be followed by marketing, name recognition, the experience of franchisor and proven system operation.

Aside from the long-term content, sole sourcing, being dependent on franchisor’s success and limited creative/flexibility, the entrepreneurs and franchisors think that royalty payments are one of the biggest disadvantages of franchising because aside from the franchise fee, after a year the franchisor will also pay a royalty fee.

Statement of the problem 2 will be answered in numbers 3 and 4.

To be a successful franchisor, the entrepreneurs and franchisors think that being a risk-taker is one of the most common traits that a successful franchisor should possess.

There are so many possible risks in franchising restaurants, but the entrepreneurs and franchisors believe that reputation damage is the biggest risk. Because, when one franchisor does something that

damages the reputation of your business, both of you will suffer.

The statement of the problem 3 will be answered in numbers 5, 6, 7,8, 9 and 10.

As an entrepreneur or franchisor, they believe that aside from the place and competitors you should always consider your customer's status.

The entrepreneurs and franchisors say that branch name is one of the most important standards in the franchising business.

Most of the people that researchers interviewed chose putting up a franchise instead of starting their own business.

To achieve a successful and well-known business or franchise it is very important to make sure that all the products have the best qualities. Because having a good and finest product will get the loyal of your franchisees.

As an entrepreneur, they stated the factors why they should franchise their business, to own a business and of course to earn more income.

To maintain the quality of the product while franchising a restaurant it is very important to consider trial and error, testing and of course choosing good quality materials.

## **X. CONCLUSION**

This study is all about the advantage and disadvantages of franchising in a restaurant. The researchers conducted a study that explains and discuss all the possible advantage and disadvantage of franchising a restaurant. Franchising a business is one of the easiest ways to start a business because of its experience, popularity, and assurance in terms of quality. The researchers' main point in franchising a business is that there is a need to be careful and peculiar because it's not just the invested money but also the invested efforts and hope.

Starting a business is not that so easy. First, knowledge about the business is needed starting with the place for the business and second who will be the customers.

Also, the researchers conducted this study to list down all the possible advantages and disadvantages in franchising, particularly a restaurant. In franchising there are thing so-called turnkey franchise, it means complete at almost everything this kind of franchise is one of the best suits for an entrepreneur who wants to start a business. The downside of the franchise is it is a bit pricy than other franchises because you're almost complete you just need to operate and don't mind about your stocks and everything. Franchising is a bit risky to the part of the franchisee or the owner of the business. Because franchising is giving all your product to a person who you don't even know so it is all about trust if the franchisor does a cocky thing like ruining your recipe or stealing it the franchisee should know their rights. So, what is the essence of studying this kind of topic? First, it is good to have enough knowledge of the franchising because you can use it when you're having a franchise business.

## **XI. RECOMMENDATIONS**

The researcher would like to recommend this study to the following:

FCPC BSHM Students - this study will be utilized as a reference for the feasibility study or another research study. Students could also read this study to be able to have more understanding of the do's or don'ts and the pros and cons of starting up a business or franchising. This study may also enlighten their mind about the flow of having a business.

Future entrepreneurs- this could be an eye-opener and a very big help to those who are interested in starting their own business or planning to have a franchise. This study may be a basis for entrepreneurs to have the knowledge needed about franchising to avoid all the don'ts in manipulating and handling the business.

Entrepreneurs or business owners – this study will be a basis of owners on how to properly run their business in preparation for opening it for franchising. It will be a reference on what and where to enhance, improve and focus on the business. Owners will also have an idea of how they will resolve the problems they might encounter in the field of business.

Franchisors will improve the business by supporting the franchisee to deal with the problems that will arise in running the business. While, the franchisee can learn their specific strength, weakness, opportunities, and threats that can be conquered and overcome by the advice and guidance of the franchisors. Also, there must be a strong and transparent relationship with franchisors and the franchisees that can be developed and strengthened using clear communication and trust that can lead to success. A franchise relationship will be successful when each side lives up to its responsibilities.

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