THE BRAND AND THE INTERNATIONALIZATION OF BRAZILIAN FRANCHISES

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ABF ASSOCIAÇÃO BRASILEIRA DE FRANCHISING

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Postgraduate Program in Business Administration (PPGA)
Master’s and Doctorate Degree in Business Administration

THE BRAND AND THE INTERNATIONALIZATION OF **BRAZILIAN FRANCHISES**

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SUMMARY

FOREWORD

The theme of the fifth edition of "Livro Verde" ("Green Book") could not have been more appropriate: *Building brands through the internationalization process of franchise networks*. The study prepared by ESPM – Escola Superior de Propaganda e Marketing (Superior School of Advertising and Marketing), in partnership with the ABF – Associação Brasileira de Franchising (Brazilian Franchising Association), reveals the trajectory of brands until they reach international markets, the challenges faced, and the solutions found to establish their presence abroad.

Building a nationwide brand in a country of continental dimensions such as Brazil, with strong regional and cultural characteristics, is already a challenge. Taking the same brand to other countries, cultures and often different languages, is a process that requires planning, high management capacity, investment, and a lot of dedication from anyone involved. However, this challenge is minimized by the certainty that there is room for international growth. Moreover, there are consumers around the world interested in Brazilian brand products and services.

Due to the economic and political crisis Brazil has experienced over the last few years, foreign markets have gained greater visibility among franchise networks nationally consolidated.

Overcoming barriers and challenges are not uncommon events faced by Brazilian companies in general. After all, doing business in an unstable economic and political environment carrying high tax burdens, contaminated by corruption scandals, among other problems, seem to be factors that end up strengthening national companies, helping them to adapt more easily to adverse realities.

In order to help Brazilian brands to overcome such challenges and expand internationally, ABF has worked intensively in partnership with Apex-Brasil – Agência Brasileira de Promoção de Exportações e Investimentos (Brazilian Trade and Investment Promotion Agency), currently linked to the Ministry of Foreign Affairs and the Ministry of Industry, Foreign Trade and Services (MDIC).

Some of these actions are reflected in this work, which we have been publishing biannually since 2010, combining our expertise with that of ESPM's.

As an official representative of Brazilian franchising, ABF reiterates that it will continue to promote the internationalization of Brazilian brands.

And on behalf of the Brazilian Franchising Association, I thank all the brands that have contributed to this study, providing ESPM researchers with their valuable feedback, thus, making it viable. We are also grateful to ESPM's team of professors and researchers, on behalf of Cristina Helena Mello, Prorector; Thelma Rocha, Eduardo Spers, Felipe Borini, Mário Ogasavara, Pedro Melo, Vanessa Bretas and Adriana Camargo (authors).

Congratulations everyone for preparing this beautiful work. May readers truly enjoy this rich content.

Best regards,

Altino Cristofoletti Junior
President of ABF –
Brazilian Franchising Association

INTRODUCTION

It is with great satisfaction that the Master's and Doctorate Degree Program in Business Administration (PPGA) at ESPM, in partnership with the Brazilian Franchising Association (ABF), present the fifth volume of the *Internacionalização das Franquias Brasileiras (Internationalization of Brazilian Franchises) series*. The study started back in 2010, with the publication of the first volume, also known as "Livro Verde" ("Green Book").

This study was conducted from April to October 2018 and represents a continuation of the partnership signed by Altino Cristofoletti Junior, President of ABF, with the participation of Angela Manzoni (Director of Education and Market Intelligence), Vanessa Bretas (Market Intelligence Manager), Bruno Amado (International Project Manager), and Gabriela Casari (Market Intelligence Analyst). The study also counted on the participation of ESPM, with Cristina Helena Mello, Prorector of Research and Stricto Sensu Postgraduate Program, and the following authors: Thelma Rocha, Eduardo Spers, Felipe Borini, Mário Ogasavara, Pedro Melo, Vanessa Bretas and Adriana Camargo.

In November 2011, the Internationalization of Brazilian Franchises Study Group was registered with CNPq – Conselho Nacional de Desenvolvimento Científico e Tecnológico (National Council for Scientific and Technological Development). The group is formed by professors representing several institutions, namely: Pedro Melo (PhD), PPGA-UNIP and PUC-SP, and ESPM's Thelma Rocha (PhD), Eduardo Spers (PhD), Felipe Borini (PhD), Mário Ogasavara (PhD), Adriana Camargo (PhD), and postdoctoral student Vanessa Bretas. This year, data collection was conducted by: Erick Andrade, Andrea Lanfranchi, Patricia Kurek, Renata Delgado, Reynaldo Cunha, and Alexandre Cantoni, who contributed to the interviews included in his own dissertation (Cantoni, 2016).

Data collection was conducted in May 2018 through in-depth interviews with managers responsible for the internationalization of franchise networks, and an ESPM focus group.

In addition to the introduction, this book is divided into six items. The second item presents the aspects related to the internationalization of Brazilian franchise; the third, a more conceptual view on brand building, brand management and the role of the brand in Franchising, as well as the governance models in Franchising. The fourth item includes the results obtained; the fifth, few recommendations. The sixth item includes final considerations.

We appreciate the valuable participation of the franchisees who have contributed to the data collection process, either through in-depth interviews or their participation in the focus group. This work would not have been made possible without the availability of those responsible for internationalization.

We are also grateful to the ESPM Marketing team represented by Bruna Valera, Laura Pimenta and Amanda Silva; the Stricto Sensu Department represented by Liliane Almeida, Jocilene Melo, and Rossana Orte Andre, who helped us with the books on short notice; and especially RSPRESS, represented by Caroline Rodrigues, Leonardo Fial, and Lucilene Oliveira, who have been taking exceptional care of the layout since 2012.

Last but not least, we thank God for enabling us to make this study more effective.

Good readings!

The authors

ABOUT THE AUTHORS

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Eduardo Eugenio Spers holds a postdoctoral degree from Wageningen University (WUR), the Netherlands, and a PhD in Business Administration from FEA-USP. He is a professor with the Master's and Doctoral Program in Business Administration at ESPM. He works as a coordinator for NEMA – Grupo de Pesquisa em Neurociência Aplicada ao Marketing (Research Group for Neuroscience Applied to Marketing) and CEP – Comitê de Ética em Pesquisa (Research Ethics Committee). He was awarded with a productivity scholarship, level 2, from CNPq.

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Pedro Lucas de Resende Melo holds a PhD in Business Administration from FEA – USP and was invited to be a *Visiting Scholar at Florida International University* (FIU). PhD in Business Administration from ESPM. Professor of Business Administration at PUC-SP and Professor with the Master's Degree Program in Business Administration at Universidade Paulista. He develops research in franchise networks, having published articles in important periodicals.

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Adriana Camargo holds a PhD in Business Administration from ESPM. She holds a Master's Degree in Business Administration, an Executive MBA from ESPM, and a degree in Pedagogy from Mackenzie University. She obtained her specialization in Education from Mackenzie University. She is a professor of postgraduate courses at the Business School of São Paulo and ESPM. She is a member and representative in Brazil for the Franquiciando a América (Franchising America) Group.

1.
THE RESEARCH

The *Internacionalização das Franquias Brasileiras (Internationalization of Brazilian Franchises)* studies have begun in 2010. The following section presents a synthesis of the previous studies, prior to the inclusion of the objectives for 2018.

1.1 THE EVOLUTION OF THE STUDY

Held every two years since 2010, the series *Internationalization of Brazilian Franchises* has explored various topics related to the internationalization of Brazilian and foreign franchise networks, providing information and data about the development of the internationalization process, the motivations, barriers and challenges faced over time.

In the first volume, entitled: With "*Processos e Barreiras para a Internacionalização das Franquias Brasileiras*" ("*Processes and Barriers Imposed Upon the Internationalization of Brazilian Franchises*"), as shown in Figure 1, the authors reveled three factors that contribute to the internationalization of franchises, namely: 1) the international experience of entrepreneurs; 2) network of business contacts in the foreign market; 3) development of differentiated products capable of being recognized abroad.

Rocha, Borini and Spers (2010) also pointed out that few Brazilian franchises had established operations abroad recently (on average, five years of international experience), and for being still small, they represented a big challenge for managers in terms of profitability and growth. Sixty-five internationalized franchise networks were analyzed.

In the second volume, Figure 2, Rocha et al (2012) used as basis for analysis 92 internationalized Brazilian franchises and observed an opportunistic behavior of some networks launching their operations abroad experimentally or on demand still lacking the right criteria for selecting

Figure 1. Volume 1: Processes and Obstacles Imposed Upon the Internationalization of Brazilian Franchises
Source: Rocha, Borini and Spers (2010)

Figure 2. Volume 2:
Market and Strategic Aspects
Source: Rocha, Borini, Spers, Khauaja, Camargo (2012)

Figure 3. Volume 3:
Internationalization Stages of Brazilian Franchises
Source: Rocha, Borini, Spers, Khauaja, Camargo, Ogasavara, Melo (2014)

partners and planning, which was called in the study as "passou, levou" ("you want it, you got it"). This expression can be interpreted as the following: "Walking by a franchise booth at Expo Franchising and taking the unit overseas", without real planning, or an in-depth analysis of the product implementation process and management required. Many factors have contributed to the failure of this type of operation, which often ended within two or three years.

The authors recommended: to create a strategic behavior focused on operating abroad; create differentiated organizational structures; review a business model designed for international operations; define a single global brand identity and adapt the marketing compound; invest in the recognition of the foreign market; coordinate and measure the results obtained from marketing actions; visualize internationalization beyond sales.

In the third volume, Figure 3, Rocha et al. (2014) used as basis for analysis 106 franchise networks based on the theory of the four stages of internationalization proposed by McIntyre and Huszagh (1995): 1) Domestic

Franchising; 2) Experimental Engagement; 3) Active Engagement; 4) Long-Term Engagement. Figure 4 illustrates these stages.

In order to split the internationalized franchise base into stages, the number of countries abroad was considered as proxy for their internationalization stage, as shown in Figure 3.

Stage 1, called Domestic Franchising, corresponded to networks that did not operate abroad (95% of Brazilian networks). Which means that only 5% of the networks were internationalized.

For networks operating in one country, stage 2 was assigned for experimental engagement (50% of the internationalized base).

Networks operating in two to four countries in stage 3 demonstrated active engagement (30%).

On the other hand, those operating in five or more countries with proven long-term engagement (20%) represented the 2014 base for stage 4.

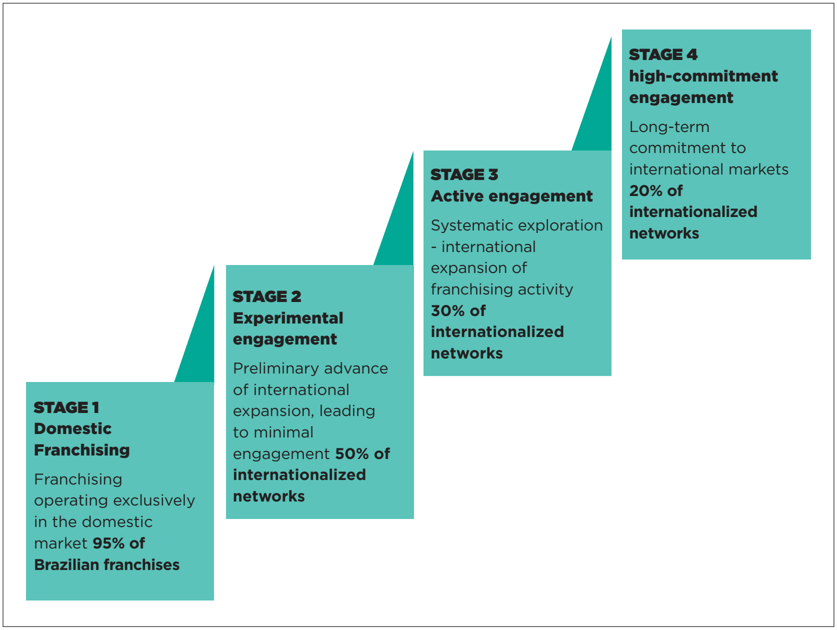

Figure 4. Distribution of Brazilian franchise networks in stages 2, 3 and 4.
Source: Rocha, Borini, Spers, Khauaja, Camargo, Ogasavara, Melo (2014)

In the fourth volume, 2016, Figure 5, Rocha et al. (2016) observed the global mindset of Brazilian franchise networks and compared them with foreign networks operating in Brazil and domestic ones (without international operation), in addition to crossing the results with stages and internationalization time (international experience).

Figure 5. Volume 4: Global Mindset in the Internationalization of Brazilian Franchises
Source: Rocha, Spers, Borini, Bretas, Melo, Ogasavara, Khauaja, Camargo (2016)

In 2016, It was proven that international experience has a significant correlation with the internationalization stage and the global mindset. The longer a network spends abroad, more committed it will be to the operation itself, which is associated with the global mentality.

On average, Brazilian networks were operating abroad for eight years. The most committed were operating abroad for 12 years. Those operating during the active stage, 6.7 years, on average; and those undergoing experimentation, four years, on average.

As far as foreign networks that were operating in Brazil, they had been operating abroad (in more than five countries) for the longest time, 24 years, on average, which demonstrates high commitment to the international operation. Brazil was not the first destination for these networks. Furthermore, they had way more experience to set up their operations upon arriving.

All previous studies are available in Portuguese and English on the ESPM website: http://www2.espm.br/livro-franquias.

1.2 OBJECTIVES OF THE 2018 RESEARCH

The theme of this study is the franchise brand abroad. The objective is to analyze the process of brand building in the internationalization of Brazilian franchise networks.

1.3 METHODOLOGY

A qualitative exploratory methodology was chosen for this study to discuss the corporate strategy adopted by each company, based on four in-depth interviews with brand managers representing successful companies based in other countries, and a focus group consisting of five managers.

The study included a population of 142 Brazilian franchise networks operating abroad in 2017. This base is divided into two groups: 129 internationalized Brazilian franchise networks with operations abroad in 62 countries, and 18 Brazilian franchise networks primarily exporters (ABF, 2018).

The focus group met for 120 minutes on May 22, 2018 at the ESPM Focus Group Research Room.

Two moderators were invited to participate. The driving script is found in Appendix A. The focal group discussed brand building, positioning, strategy and management of the marketing compound operating abroad.

The focus group counted on the participation of Chilli Beans, iGUi, Grupo Boticário, Localiza and Nutty Bavarian, franchise networks representing different segments, selected according to their high commitment to their international operations. The discussion was transcribed and analyzed using the method of qualitative content analysis, following the technique suggested by Bardin (2016) with the creation of analysis categories.

A total of four in-depth interviews were conducted according to the interview script found in Appendix B. They counted on the participation of Brazilian franchises (exporters, corporate-owned or not) representing the women's fashion and apparel segment. Issues related to positioning, strategy, and management of the marketing compound abroad were also addressed.

Throughout the research process, confidentiality was ensured at all times, as well as the identity of all participants. Grouped data aggregated individual observations of a particular variable and participants were named only as "people interviewed".

2.
FRANCHISING NETWORKS INTERNATIONALIZATION

The internationalization of franchise networks is a two-way process. On the one hand, the movement of Brazilian networks grows outward; on the other, the participation of foreign networks in Brazil is also growing.

2.1 THE FRANCHISE SEGMENT IN BRAZIL

The franchise network segment in Brazil is passing through a maturity stage, and its representativeness has increased since 1987, when the Brazilian Franchising Association (ABF) was created. It is a sector made up of several segments, namely: Communication, Computers and Electronics, Entertainment and Recreation, Hospitality and Tourism, Cleaning and Maintenance, Fashion, Health Care, Beauty and Well Being, Automotive Services, Educational Services, Services, and other businesses in general.

This diversity of segments can be seen in the ranking of the largest networks in terms of number of units (Table 1), in which "O Boticário" appears first, followed by AM PM Mini Market, Cacau Show, and McDonald's, including Automotive Services and Educational Services

PER NUMBER OF UNITS					
Ranking				UNITS	
2017	2016	BRAND	SEGMENT	2017	2016
1	1	O Boticário	Health Care, Beauty and Wellness	3762	3730
2	4	AM PM MINI MARKET	Food and Beverages	2415	2039
3	3	CACAU SHOW	Food and Beverages	2081	2045
4	6	MCDONALD'S	Food and Beverages	2009	1916
5	7	JET OIL	Automotive Services	1735	1516
6	8	LUBRAX +	Automotive Services	1617	1475
7	9	KUMON	Serviços educacionais	1400	1375
8	10	BR MANIA	Food and Beverages	1311	1255
9	11	WIZARD BY PEARSON	Serviços educacionais	1195	1230
10	19	DIA%	Food and Beverages	1145	833

Table 1. Largest Networks Ranking Based on Number of Units
Source: ABF (2017)

(ABF, 2017). The volume of Brazilian franchise network units makes Brazil the first in the Latin American Ranking and the 4th largest in the world (ITA, 2016).

In Latin America, two countries stand out for their strength and number of franchise networks: Brazil and Mexico, considered "Two Gigants" by Muriel Fadeiro, a specialist in International Franchising, as shown in Figure 6.

Local franchises prevail in Brazil. Figure 6 demonstrates that local networks grow steadily in Brazil, Mexico and Argentina. The percentage is 97% in 2017 (ABF 2017). This aspect is associated with the history of national franchise networks that have grown across the country, thanks to the commitment of several entrepreneurs focused on building operations and strong brands across Brazil.

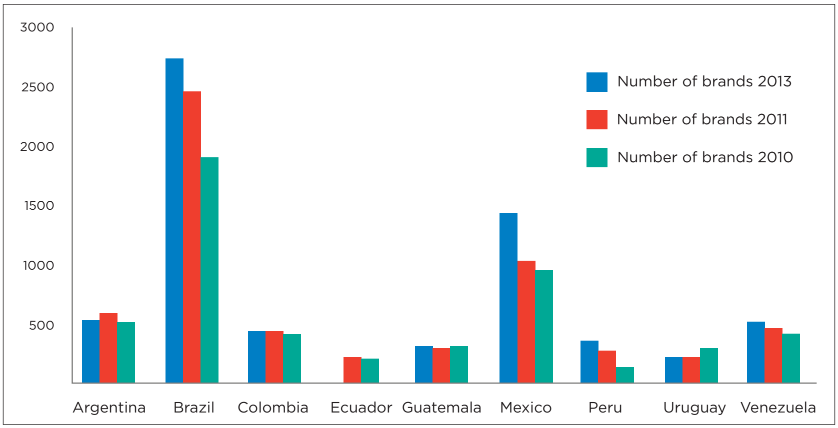

Figure 6. The evolution of Nine Latin American Countries Between 2010 and 2013
Source: Muriel Fadairo (2017), based on Federacíon Iberoamericana de Franquicias (2015)

Brazil, Mexico and Argentina present the strongest local franchise network growth amongst all Latin American countries. According to Muriel Fadeiro, Brazil had 95% of local networks, Argentina, 90%, and Mexico, 84%, as shown in Figure 7.

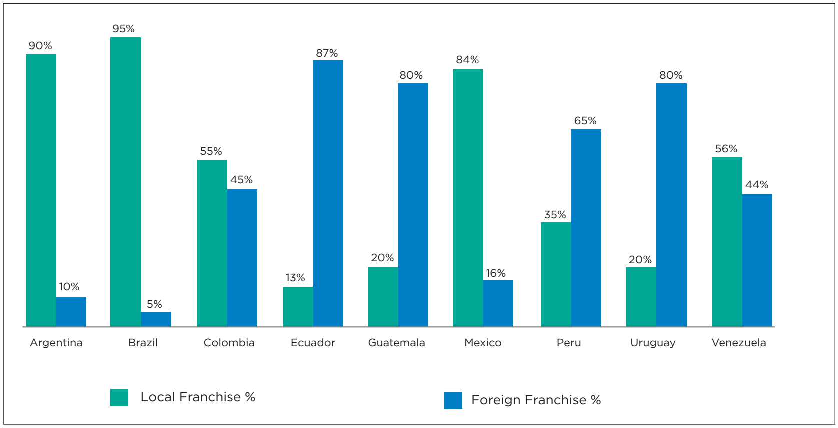

Figure 7. % of Local Franchises in Latin America
Source: Muriel Fadairo (2017)), based on Federacíon Iberoamericana de Franquicias (2011)

Brazilian franchise networks have built strong, well-known local brands because they represent the majority across country. However, as soon as they launch their operations abroad, the networks realize how difficult it is to build their brands in another culture, another language, in another competitive context. Many end up returning to Brazil after a short international experience. This scenario was decisive for choosing the topic "brand building abroad", discussed in this book.

Regardless of the economic recession, the national market is somewhat saturated, especially in large urban centers, which makes it difficult to expand franchise networks within the domestic market. The expansion into inland cities has been found to be an alternative to react against this saturation, but franchisors must revise their franchise models in order to meet the demands of inland markets. Another alternative is the expansion of Brazilian franchise networks to international markets. International operations still represent a small portion of the overall franchise network revenue. One of the strategies set against the decline of international growth is building brands abroad.

2.2 THE PERFORMANCE OF FRANCHISE NETWORKS IN TIMES OF ECONOMIC RECESSION

The economic difficulties experienced by the Brazilian economy affected several segments. However, franchise networks managed much better the restrictions imposed by the market as compared to retail in general.

The Brazilian Franchising Association indicates an 8% nominal growth in the sector's revenues between 2016 and 2017 (ABF, 2018). This result demonstrates the robustness of the franchise system in face of adversities, as shown in Figure 8. The very nature of the franchise system, which is characterized by formatted businesses and strong domestic brands, providing franchisees with the support they need and market intelligence, minimized the impact of the unfavorable economic scenario over the franchise market.

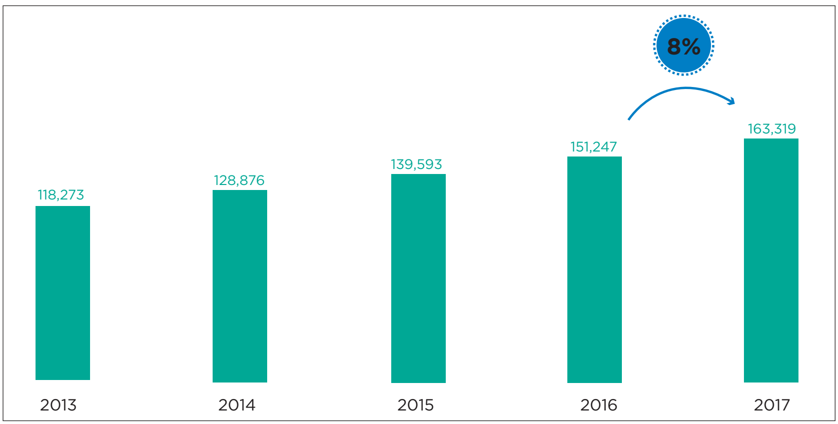

Figure 8. Revenue Evolution of Franchise Networks (in billions of Reais)
Source: ABF (2018)

On the other hand, the 6% decrease in the number of networks indicates that networks less prepared were forced to close down, bringing the number of networks to 2,845, closer to what was experienced between 2013 and 2014, even though there are encouraging figures demonstrating revenue growth. This shows that networks remained resilient in times of crisis. Despite of the decreasing number of networks, the largest ones remained strong. In order to retain the commercial location and avoid a decline of the public image of the brand, some of the largest networks purchased units that would inevitably close down. In fact, what we see is an increase in the number of mergers and acquisitions by groups of franchise networks resulting in market concentration.

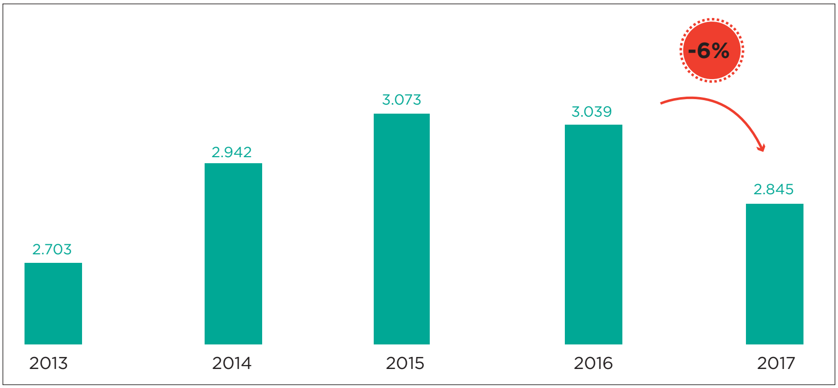

Figure 9. Variation in the number of franchise networks in Brazil
Source: ABF (2017)

However, the concentration of networks does not mean a decrease in the number of units. Figure 10 shows that the number of units increased during times of recession. This indicates that well-prepared networks, consumer recognition and market intelligence can capture opportunities even during adversity. This growth, as shown in Figure 10, indicates that there are opportunities not only to retain points of sales offering better commercial conditions, with more affordable leases, but also for expand towards smaller cities, convert franchises, and seek internationalization.

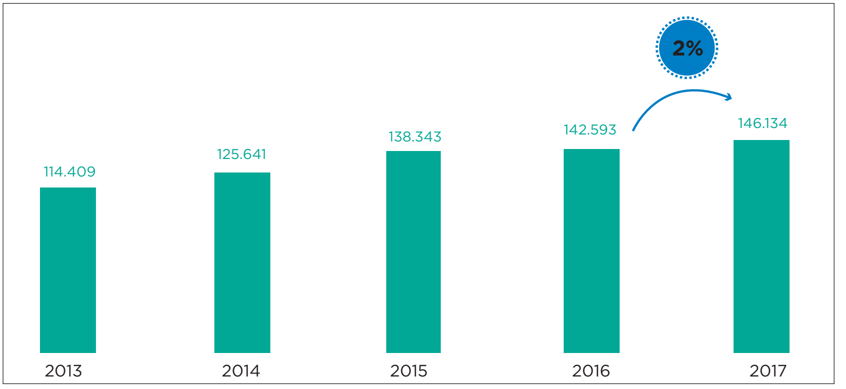

Figure 10. Evolution of the number of units
Source: ABF (2017)

This growth, as shown in Figure 10, indicates that there are opportunities not only to retain points of sales offering better commercial conditions, with more affordable leases, but also for expand towards smaller cities, convert franchises, and seek internationalization.

2.3 THE INTERNATIONALIZATION OF BRAZILIAN FRANCHISE NETWORKS

In 2017, Brazilian franchise networks with operations abroad represented 142 networks dispersed across 100 countries. This shows 118% increase since 2010, when the first study was carried out including 65 internationalized networks.

Internationalized franchise networks are distributed across several segments, as shown in Figure 11. Franchise networks of products and services related to fashion (25%); health care, beauty and wellness (16.9%); food and beverages (15.5%); housing and construction (13.4%), and educational services (12%) are the most noticeable. These five segments represent 83.2% of the total number of internationalized franchise networks. Some internationalized franchises represent peculiar Brazilian cultural assets. International operations seem to increase whenever a network chooses to market products related to Brazil as a brand on its own.

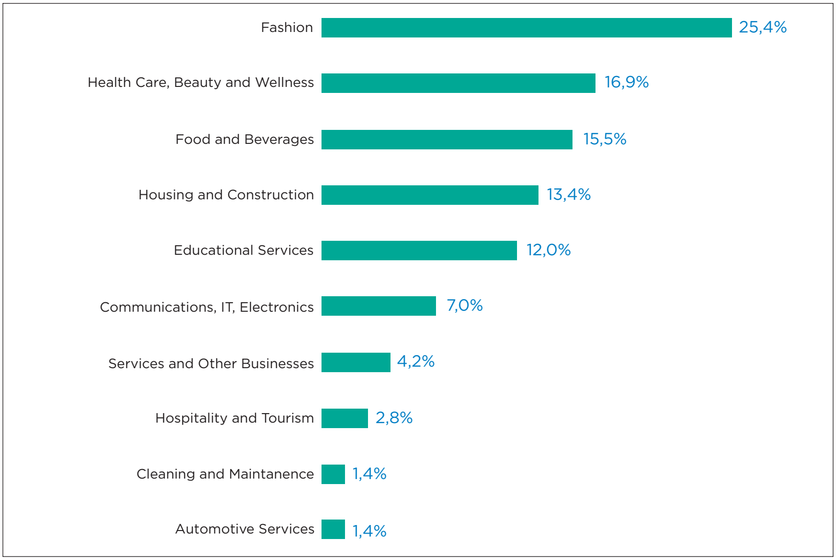

Figure 11. Distribution of franchise networks operating internationally according to Sectors
Source: ABF (2017)

Table 2 shows that some segments experienced an above-average growth when comparing the 2010 base, including 65 internationalized franchise networks, and the 2017 base, including 142 internationalized franchise networks. The housing and construction segment have demonstrated the highest increase, with the number of internationalized

Evolution Segments	2010 Base	2018 Base	Var. (%)
Fashion and Apparel	19	36	89%
Beauty, health and wellness	15	24	60%
Food and Beverages	11	22	100%
Housing and Construction	5	19	280%
Education	9	17	89%
Others (IT, Hospitality, Services, Cleaning)	6	24	300%
Total Franchise Networks	65	142	118%

Table 2. Distribution of international operations according to Sectors Source: ABF (2017)

networks rising from 5 to 19. IGui Piscinas leads the ranks, with strong international presence in 42 countries (2017). IT, hospitality and cleaning have grown from 6 to 24 internationalized franchise networks.

The main destinations for Brazilian franchise networks (Figure 12) remain the United States (46 networks), Paraguay (34 networks) and Portugal (34 networks). There is a concentration of other countries in Latin America that make up for the top 10 list where Brazilian franchise networks are the most active.

Country	Brand
United States	46
Paraguay	34
Portugal	34
Bolivia	19
Colombia	17
Argentina	15
Uruguay	15
Angola	14
Mexico	14
Chile	13

Figure 12. Main destinations for Brazilian franchise networks
Source: ABF (2017)

USA stands out because of their market potential, as well as the concentration of Brazilians wishing to represent brands as franchisees. Paraguay demonstrates an extension of the domestic market. In general, it is an attractive market due to its geographical proximity to Brazil.

Portugal seems to have a preference over Brazilian networks, even though its consumer market is very limited. Products and services are better accepted due to the language, high concentration of Brazilians, and the cultural proximity between the two countries.

A Figura 13 aponta a evolução das franquias em diferentes países. Nota-se uma limitação, ao se pensar na exploração de mercados internacionais promissores, a exemplo de países asiáticos como Japão e China.

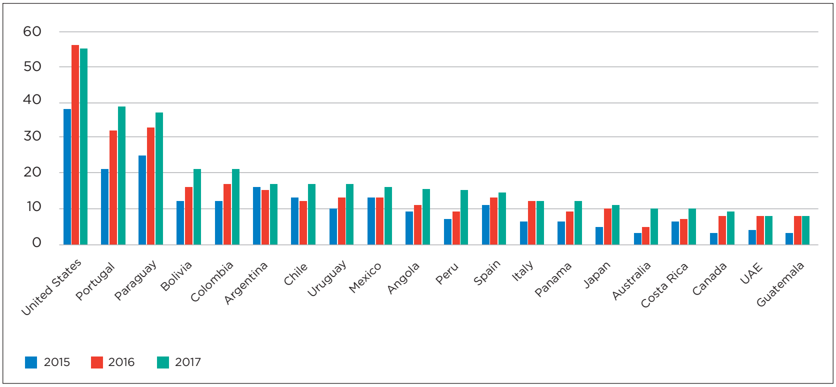

Figure 13. Evolution of the number of Brazilian franchise brands according to country of destination: 2015-2017
Source: ABF (2017)

Other countries, besides the United States (13), Spain (8), Portugal (8), Australia (7), and Canada (7), as shown in Figure 14, have become a destination for exporters, which summed up 13 in 2017.

On the other hand, the Fashion and Apparel segment has the most significant international presence **exporting** 78% of the brands, followed by Health Care, Beauty and Wellness, with 17%; and Housing and Construction, with 6%, as shown in Figure 15.

Country	Brand
United States	13
Spain	8
Portugal	8
Australia	7
Canada	7
Colombia	6
Italy	6
Japan	5
Panama	5
Paraguay	5
Peru	5

Figure 14. Main destinations for Brazilian franchise networks Source: ABF (2017)

Part. (%)	Segmento
77%	Fashion and Apparel
17%	Health, Beauty and Wellness
6%	Housing and Construction

Figure 15. Main destinations for Brazilian franchise networks handling export operations, primarily
Source: ABF (2017)

The separation of the base of franchises that operate abroad primarily by exporting proves the importance of the clothing segment. In fact, some clothing and apparel companies started exporting way before they launched their franchising operations in the 1990s. Their products are sold in several multi-brand stores abroad.

Finally, it is important to highlight there were 200 foreign networks in Brazil in 2017, representing 26 countries. Rocha et al. (2016) point out that these companies have 24 years of international experience on average, being 85% of their operations taking place in more than 5 countries. Brazil is not the first destination, generally.

2.4 INTERNATIONALIZATION STAGES

The internationalization stages reflect the commitment of companies to their international operations. There were 142 franchise networks abroad in 2017, which can be classified according to three stages: experimental engagement, active engagement, high commitment, according to Rocha el al (2014), as shown in Figure 16.

Fifty-six percent of the internationalized Brazilian franchise networks, or 80 internationalized networks, have launched their international operations one year ago, thus, an experimental engagement. At this stage, when franchisors launch their operations abroad, represents the very beginning, a stage during which intensive learning takes place.

The next stage of active engagement occurs when the network operates in two to four countries, 27% of internationalized franchise networks (39 networks). The level of commitment is intermediate. The network still focuses on diluting risks and does not have complete dominance over the

Internationalization Stages	No. Countries where they operate	2010 Franchises	2012 Franchises	2014 Franchises	2016 Franchises	2018 Franchises	% 2018
Stage 2. Experimental Engagement	Only 1 country	28	50	51	65	**80**	**56%**
Stage 3. Active Engagement	2 to 4 countries	21	27	32	39	**39**	**27%**
Stage 4. High Commitment	5 or more countries	16	15	22	30	**23**	**16%**
Total Internationalized Franchises		**65**	**92**	**105**	**134**	**142**	**100%**

Figure 16. Distribution of Brazilian networks operating in stages
Source: ABF (2017)

international market. They consist of networks that demonstrate continuous international growth and have already obtained administrative and legal recognition in the countries where they operate. At this active stage, most franchises expand their operations at a **slow and steady pace** in order to meet the legal and administrative requirements of each new market (MCINTYRE & HUSZAGH, 1995). Once entering the foreign market, the success of the international units becomes a catalyst for new initiatives.

Finally, networks operating in more than five countries demonstrate a high-commitment level of engagement, accounting for 16% of the internationalized franchise networks (23 companies). These have succeeded the previous steps, being more engaged internationally. Also, they present a diversification of countries in terms of activity and concentration, having designed a business model suitable for each country (MCINTYRE and HUSZAGH, 1995).

The growth of Brazil abroad has followed the same pattern of engagement over time, without great variations, as shown in Figure 16. This shows that networks are internationalized following the gradual model proposed by the Uppsala model.

3. CONCEPTUAL ASPECTS

This study is based upon the conceptual aspects inherent to building and managing a brand, the role of the brand in franchising, its relationship with the choice of governance method and the internationalization process.

3.1 BRAND BUILDING AND MANAGEMENT

The brand is what makes a company known to customers and consumers. It establishes a company's reputation and its positioning within the market. The name, symbol, logo or set of items that characterize products or services, setting them apart from the competition are elements strongly attached to the brand, defined during the creation process of the company it represents (KOTLER, 2002; KELLER, 2013).

In addition to identifying the origin of a product or service, the brand is a mechanism used for simplifying the purchasing decision process. Based on past experience, consumers recognize the brand, make assumptions, and build up expectations. This process involves trust and loyalty. Loyalty is stronger and more significant when the brand image is favorable. A brand is solid and relevant when it provides its target consumers with strong and differentiating benefits, meeting their needs and desires, in addition to establishing a long-lasting loyalty bond with them (HUNG, 2008, KHAUAJA and MATTAR, 2006).

The concept of a brand is a peculiar meaning selected by the company, derived from consumer needs, macro environment trends, the company's internal environment and its stakeholders. Consumer needs can be functional, symbolic or experiential. A **functional brand** concept is intended to meet externally generated consumption needs, to solve a problem or potential problem. A **symbolic concept** aims to associate the individual with a desired group, role or self-image. And an **experiential brand** concept is developed to meet sensory stimulation needs and variety. There are brands that present a mixture of functional, symbolic and experiential benefits (PARK, JAWORSKI and MACLNNIS, 1986).

The concept of a brand must be built with the objective of achieving a long-term competitive advantage. Park et al. (1986) propose a model for image management and brand concept over time. The management of the brand concept adopted by a company and its image includes introduction, elaboration and fortification stages (Figure 17).

The **introduction phase** consists of establishing the brand image and positioning upon market entry. The image and positioning must be consistent with the concept attributed to the brand.

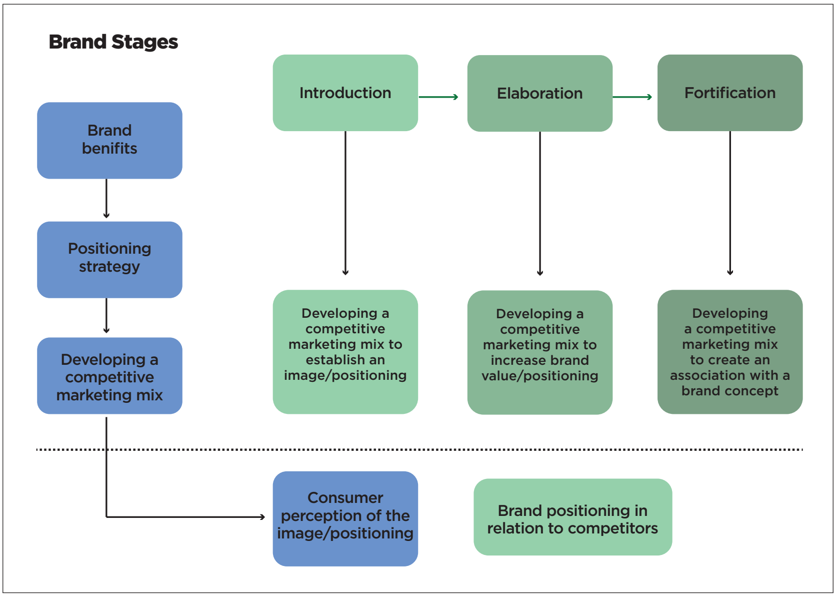

Figure 17. Strategic Brand Management
Source: Adapted from Park, Jaworski, MacInnis (1986)

In the **introduction phase**, positioning strategies must enable consumers to understand the brand image. During the **elaboration phase**, the strategies aim to highlight and increase the value of the brand among consumers, establishing its superiority in face of the competition. The positioning strategies adopted vary according to the current brand management phase (introduction, elaboration, fortification) and the brand concept (functional, symbolic and/or experiential).

The **development of the competitive marketing mix** also depends on the stages of the brand concept. In the **introduction phase**, the marketing mix elements need to be coordinated in conjunction with the brand concept. For brands with a **functional concept**, the mix needs to emphasize the ability to solve functional problems. For brands with **symbolic concep**t, the mix must be coordinated to emphasize the relation between the brand and its self-identification, or the target group. Some ways to achieve symbolic positioning include premium pricing practices and limited distribution. Brands build upon an **experiential concept** must promote aspects of experience and fantasy associated with consumption using marketing mix elements.

During the **elaboration phase**, the positioning strategies are an extension of the positioning practiced in the introduction stage. However, at this stage, the marketing mix is adjusted according to market conditions. Two strategies are recommended for brands built upon a **functional concept** at this stage: specialized problem solving, which addresses more specific consumer needs; and generalist problem solving, which addresses a wide range of situations. Brands built upon a **symbolic concept** must maintain the positioning efforts made during the introduction stage and adopt a market screening strategy, while preserving its image. Brands built upon an **experiential concept** in the elaboration stage must be attentive to the consumer's feeling of satiation and saturation of consumption. Strategies designed to dodge saturation are the introduction of brand accessories that can be used together or produce a network of brands characterized by different types of stimulus.

During the **fortification phas**e, the goal of the brand is to strengthen its concept and image by extending its meaning to other classes of products. Positioning strategies for new products must emphasize their connection to the brand's original concept and image. Brands built upon a **functional concept** based on the portfolio's diversification strategy for brand fortification must work with other products and services that meet functional needs. The diversification strategy of brands built upon a **symbolic concept** helps to create an image related to the consumer's lifestyle. Brands built upon an e**xperiential concept** can be reinforced through a diversification strategy that connects the brand image with other products and services built upon experiential concepts.

3.2 THE ROLE OF THE BRAND IN FRANCHISING

In the franchising system, the brand plays a fundamental role. The franchisee acts as a franchisor's consumer when acquiring his/her business model. Therefore, franchise networks representing strong brands, well known across the market for its quality and reputation attract more franchisees prospects. The franchise brand is the most significant advantage for a potential franchisee.

Franchisees interested in representing well-known brands do not need to invest in the creation of the brands. In addition, their chances of succeeding are greater because they already represent a brand known to potential consumers. In other words, the strength of a brand is related to the economic performance of the franchisees (BAENA and CERVINO, 2012; MERRILEES, 2013).

The brand signals a positive performance helping the market to feel increasingly confident. It enables not only domestic expansion, but also international expansion. Franchise networks with a strong brand perception are more likely to expand into foreign markets (Baena & Cervino, 2012; Baena, 2018). Khauaja and Toledo (2011) analyzed 10 networks of internationalized Brazilian franchises and realized that the appreciation of a brand is one of the factors that motivates its international expansion the most. So much so that Merrilees (2014) suggests that branding and brand management of international franchising are priority topics for studies conducted in this field, considering that a brand is the most critical and important element of the franchise system, especially a system of networks operating internationally.

3.3 GOVERNANCE METHODS IN FRANCHISING

By using the franchising system as a mode of entry into foreign markets, companies may choose different governance methods for their international operations. The main governance methods in international franchising include direct investment, with the installation of self-owned units; installation of franchised units; joint ventures; area developers; and contracting a master franchisor to manage the international operation, as shown in Figure 18.

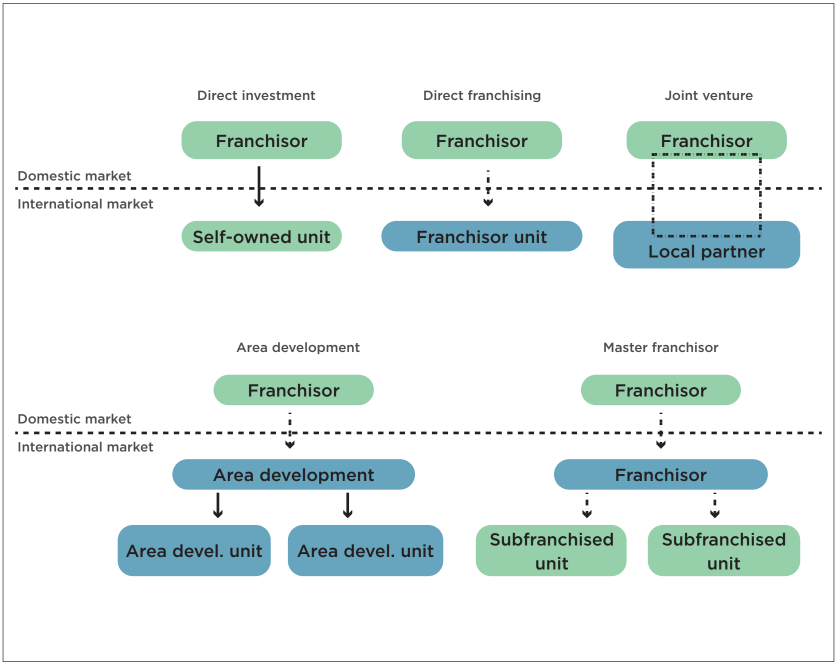

Figure 18. Governance methods in international franchising
Source: Authors (2016)

Governance methods are mechanisms applied in order to minimize costs and gain knowledge on competitive advantage merger and acquisition (JELL-OJOBOR; WINDSPERGER, 2013). Thus, governance methods are differentiated according to the distribution of ownership and decision rights among the franchisor and his/her partners. The franchisor and his/her overseas partners must decide on the level of ownership control and decision-making each one wishes to have and become aware of the resources available for the operation.

In addition, the distribution of critical assets among the franchisor and local partners determines the network's competitive advantage and influences the choice of governance in international markets. Assets can be attributed to the franchise system specifically, to the local market or to partners. Assets related to the franchise system include the brand, know-how, marketing capabilities, research and development, monitoring capability, among others. The brand and the franchisor's financial and human capabilities are factors that influence the choice of governance method in foreign markets (JELL-OJOBOR; WINDSPERGER, 2013; MERRILEES, 2014). On the other hand, brand building and management are also influenced by the governance method chosen, as discussed in the empirical part of this study.

4. STUDY RESULTS

The results of the field survey are presented in this section. A qualitative approach was applied into two stages, including managers responsible for internationalization processes: a focus group and the analysis of four in-depth interviews, with the participation of exporting companies and fashion franchises.

4.1 DATA ANALYSIS

The focus group meeting was held at ESPM on May 22, 2018. It counted on the participation of managers representing five different segments, namely: Food and Beverages, Beauty, Housing, Fashion and Services.

Some of the phrases including examples of interviewees were used and named as "franchisor" (F). The participating networks conduct an average of 79 operations abroad, based on the following governance methods: direct investment (self-owned units), direct franchise (franchised units), and master franchises. The interviews, which lasted roughly two hours, were conducted by two moderators, ESPM professors, specialized in International Marketing, and were based on the items shown in Appendix A.

The in-depth interviews focused on the Fashion companies, which became internationalized based on export operations and franchising. Three of them operate as franchise networks, and their responses are marked as exporters. The interviews were conducted by Cantoni (2016), based on the script shown in Appendix B, being reread and analyzed.

These companies have a lot of international experience. E1 has been operating abroad for 20 years, with nine units spread across with in 4 countries. E2 has been operating abroad for 12 years, with nine units spread across 31 countries. E3 has been operating abroad for 12 years, with five units spread across three countries.

The model proposed by Park, Jaworski, MacInnis (1986) was used to analyze the data, and the results were separated into three blocks: 1. Brand Benefits, which addresses the definition and care of the brand abroad; 2. Positioning strategy; 3. Development of a competitive marketing mix abroad. These three items were analyzed for franchise networks, according to three phases: introduction; elaboration and strengthening, as shown in Figure 19.

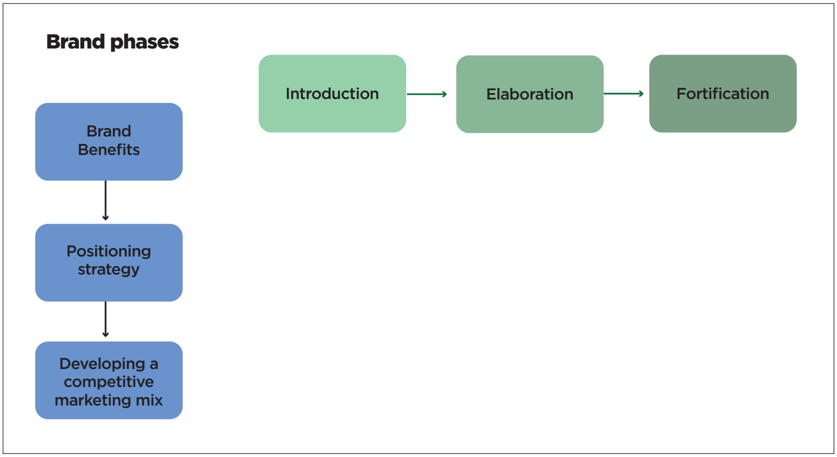

Figure 19. Data analysis structure
Source: The authors used the model proposed by Park, Jaworski, MacInnis's proposal (1986)

4.1.1 Decisions on Brand Benefits

When a franchise network decides to go international, the first decisions are associated with the benefits it wishes to propose to the target market. Based on the theory, these benefits can be divided into three categories: **functional** (linked to the functional attributes of the product or services); **experiential** (linked to how the consumer will feel at the moment of consumption); and **symbolic** (related to the symbology of the product/ service and what it means to consumers).

The focus group discussed the meaning of the brands and what they represent for the franchise networks. The brand concept is developed by the company based on the identification of consumer needs, external and internal environment trends, and stakeholder input. In the franchising system, the brand takes on a double role. It communicates meaning to final consumers and potential franchisees, delivering functional, symbolic, and experiential benefits for these two groups, as shown in Table 1.

One of the participant networks builds its benefits based on brand pillars, for example: "*Fashion, Art and Music*". The company does not sell products, or **functional benefits**, but provides customers access to fashion (**symbolic benefits**), and excellence in service, which is an **experiential benefit**.

It was possible to observe the influence of the final consumers over the definition of experiential benefits inherent to the brands created by franchise networks ("*we want people to have the same experience in different places*"); the internal environment ("*the brand is built from the inside out*"); and external ("*...there is an aspect, there is culture, ... Every brand must work on those...*").

As far as potential franchisees, the brand serves to demonstrate the reputation and success of the business. Branding is the most significant competitive advantage for the potential franchisee. In this sense, it is an element indispensable to the process of domestic and international expansion: "*...the brand begins to be seen by other people... that's what happened in Argentina with a strategic partner... We have also received requests from people across the globe wishing to represent our brand in their countries*".

Analysis Category	Franchising Application	Highlights in the study
Brand Benefits	Final Consumer	Meaning based on the **functional**, **symbolic** and **experiential** benefits of the brand
	Potential Franchisees	Consumer influence, external environment (local culture) and internal environment (consumption experiences)
	Caring for the brand	Partner selection and monitoring based on mutual trust
		Trade mark registration in each country
		Caring for the co-branding strategy

Table 1 . Brand
Source: Focus Group and in-depth interviews

Considering the relevance of the brand in the franchising system and its participation as an asset and indicator in the process of expansion of franchise networks, the study exposes the concern and care taken with the preservation and integrity of the brand in foreign markets.

Three aspects relevant to the development of the brand abroad were highlighted in Table 1: a) partner selection and monitoring; b) trademark registration; and c) caring for the co-branding strategy.

a) Partner Selection and Monitoring

When it comes to increasing brand exposure and awareness, franchise networks must be attentive to the **selection of international partners**, the **monitoring** of international operations, and the use of the brand in other markets. Franchisors are usually concerned about how to develop their brand name:

"I choose the one that will provide a governance structure, which I will be able to manage... my brand will not endure any problems later."

"[It is necessary to have] follow-up with the franchisee or with that person who will be using our brand ... I cannot set up a franchisee in a country and not follow up with what's going on there."

The most relevant aspects to the monitoring of the brand are the processes, monitoring and brand registration. It is important to understand local rules when drafting up a franchise agreement in Brazil and abroad.

One of the concerns observed, especially by those who have been abroad for a while, is the monitoring the store's standard and consequently, protecting the brand's positioning. One of the interviewees highlighted the following: *"...we need to keep the DNA of the brand abroad..."*.

The evolution of **technology** is happening fast, which works in favor of the monitoring process, especially in the case of franchises that lack the structure and size to invest in people. Yet, choosing the right partner is essential. **Mutual trust** among international partners directly influences how the brand is built.

"It is possible to monitor a number of things and check from anywhere effectively and at a very low cost. There is always a risk, your

partner might be doing something wrong offline, but if you do not trust him/her, it's better to choose someone else as your partner."

b) Trademark Registration

Trademark registration in the target market is a key aspect for the international expansion of franchise networks. The registration preserves the brand and prevents opportunistic actions and behavior from happening, mitigating risks for both the franchisor and his/her international partners. This must be the first step towards international expansion.

c) Co-branding strategy management

Another aspect highlighted is the adoption of a co-branding **strategy** upon entering international markets. Co-branding is a partnership between two or more brands and, in the case of the international expansion of franchise networks, it can be used to link the franchise brand to the image of a brand already known in the local market, which facilitates the expansion and insertion of the foreign brand into the new consumer market.

However, some challenges have arisen from this type of co-branding partnership. After consolidating this combination of brands in the local market, it becomes much more difficult to separate the brands later on, which creates a dependency relationship between the franchising network and the international partner. *"after the brand grows it is difficult to separate it from the local brand... Trying to get the franchisee to make any changes can be very difficult."*

4.1.2 Positioning Strategy

AIn addition to defining the benefits of the brand and its elements, there are other relevant decisions related to the **positioning and communication strategies** in foreign markets.

Standardization is characteristic of the franchising model. Being attentive to the positioning and communication strategies in foreign markets is extremely important. While it is essential to maintain brand identity, local adaptations to products and services are necessary:

"Even in Colombia, an operation that was launched four years ago, stores are much more in line with Brazilian stores than stores in Portugal. The communication also has similar contents... basically, we do not use everything that the brand does in Brazil, because it has no budget to spend around the world."

"So, a marketing calendar is aligned with each country, according to its peculiarities." (...) The franchise model is still the same, and the franchise agreement is very similar."

The process of brand building in international markets, as well as in the domestic market, must generate long-term competitive advantage for the franchising network. Brand building and management processes involve three phases with different positioning strategies for the introduction, elaboration, and fortification phases (PARK; JAWORSKI and MACLNNIS, 1986), as shown in Table 2.

Each stage of the brand building process in international markets is composed of different positioning strategies. In the **introduction stage**, it is necessary to coordinate the elements of the marketing mix with the concept of the brand, its benefits and the positioning strategy to be adopted in each foreign market. The positioning strategy in the foreign market needs to stay consistent with the benefits and concept of the brand and adapt to the foreign market. It's been said: *"I'm exporting a concept that I've created here, and worked here... I have to pay attention if this concept, which makes a lot of sense here, will make a lot of sense there too."*

In the **elaboration stage**, positioning strategies are an extension of the positioning practiced in the introductory stage, but some points related to the strategy need to be adjusted according to market conditions. This is a point highlighted by the participating networks: *"... today, there is a bit more flexibility because we have learned there are things that work, there are products that work, there are marketing campaigns that work, but some do not."*

Building a brand abroad was pointed out by the companies participating in the study as a process of continuous correctness over time. Over the years, these networks will gain experience on what works and what does not work in terms of branding and promotional calendar. Time also reveals which action works for brand communication

Analysis Category	Brand Phases	Franchising Application
Foreign Positioning Strategy	Introduction	Consistency with the concept
		Adapting to the market but maintaining the essence of the country of origin Standardized core
	Elaboration	Adaptation of the positioning to the conditions of each market
		Continuous process of correctness and errors
	Fortification	Integration of new products/services into the concept
		Long-term investment

Table 2. Foreign Positioning Strategy
Source: Focus Group and in-depth interviews

in each country, and which does not. **It is not easy to build brand Internationalization**. Brazilian franchise networks are constantly reviewing what has not worked in order to keep up with what is working. It is an ongoing learning process.

In the **fortification stage**, companies must address the strengthening of the brand concept and image within the market. The focus group discussed diversification strategies and the integration of new business areas and products with the original concept and brand image:

"We prepare ourselves to enter all the channels available, with products different in nature and price range. So, today it is important to set goals for [brand 1] and [brand 2]."

"Our goal is to build stronger brands. And I think that's important."

Franchisors must be **patient** as it is a long-term investment. This must be the mindset when investing abroad. "*Five years, four years, it is not long enough abroad.*"

4.1.3 Developing a Competitive Marketing Mix

In regard to the development of a competitive marketing mix abroad, interviewees discussed the “international strategy”,” product”, “price”, “distribution”, “promotion” and “the structure of the marketing area” items, as shown in Table 3.

The international marketing strategy adopted is a mixture of standardized decisions and adaptation of the marketing compound.

“A standardized strategy, for example, shop windows that use the same communication. But they adapt to cultural issues, or even to how the partnership is established, depending on the local culture” E1.

Communication adaptations are made, all actions are usually coordinated from Brazil. *“Marketing actions are formulated in Brazil with the help of partners; they participate actively and decide together what are the best marketing actions for that particular moment.”* E1.

They have already used **celebrities** to endorse the brand, such as Gisele Bündchen, who campaigned for more than one of the fashion networks interviewed, contributing to brand awareness.

The campaigns are partially adapted. There are times when companies adapt to different realities, so changes become necessary. On the other hand, there are situations when the same campaign launched in Brazil is also launched in other countries.

Product adaptations aim to understand the particularities of the foreign market. But the networks interviewed declared more than once that the same value proposition intended for the original brand must be kept.

In 2002, George Yip pointed out that the development of international products must observe general standardization using peripheral customization, as shown in Figure 20.

It is clear that an international product has a standardized core, and some peripheral adaptations. These customizations are usually related to language, packaging, and local regulations. For example, some products sold in Brazil are required to present the amount of sugar in the package.

Analysis Category	Items considered	Examples
Development of a Competitive Marketing Mix	International marketing strategy	Includes marketing standardization and adaptation decisions
	Communication and promotion	Use of celebrities, such as Gisele Bündchen to endorse brands Communication adaptations
	Product adaptations	Peripheral, and maintain the original value proposition Standardized core
	Price adaptations	Pricing policy Difficult to charge premium price if brand is not known
	Distribution channels	Adaptations and different channels How to find a good partner abroad Fashion networks start up by exporting
	Role of the Marketing area	Understand consumers and the market; meet communication demands Actions coordinated from Brazil

Table 3. Developing a Competitive Marketing Mix
Source: In-depth interviews

In regard to the adjustment of the price abroad, the companies interviewed generally have a **pricing policy** for operations abroad.

"*Different markets experience different realities, so there are situations in which productivity issues, or issues regarding operation costs, taxes; in short, there are situations and situations. Always with decisions based on Brazilian guidelines on the pricing strategy created in Brazil*" E1.

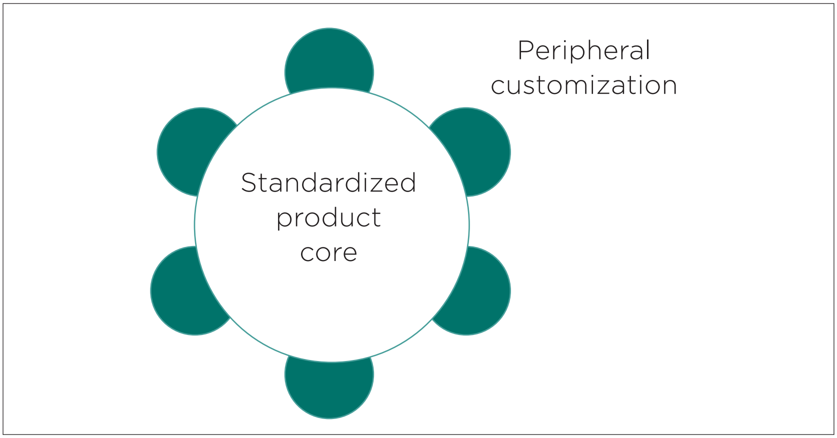

Figure 20. The concept of an international product
Source: YIP (2002, p. 90)

Also, it is difficult to charge **premium price** when lacking brand awareness. "*The price is defined in Brazil by observing the market and its elasticity.*"

"*We've faced situations where it was necessary to invest and support brand building projects in international markets, with lower entry prices so that later we could obtain better financial results*" E1.

It is possible to use penetration strategy until the trust of the local partner, or distribution channel, is gained. In regard to distribution, there are different adaptations and distribution channels, which vary from market to market.

In the fashion segment, most brands start **exporting**, before launching their franchise operations. Again, having a good partner becomes important. "*When working abroad, you need to find a partner distributor who can deliver the goods, despite inherent risks and everything else.*"

Each stage of the brand management process consists of positioning strategies aimed at developing a competitive marketing mix in each market. Some items stood out as well as the development of the marketing mix abroad for their introduction, elaboration and fortification phases, as shown in Table 4.

In the introductory stage, the development of the marketing mix and management must be compatible with the establishment of the image and positioning defined during the brand building process. For example, after a few years operating in international markets, F2 changed its positioning strategy in foreign markets and adapted its management structure:

"Before it was a much more basic structure ... In the last two years, the international area has brought people from other units... branding, communication ... I think this is already the first step to understand that their brand is very important, that it could preserve its consistency".

One relevant aspect brought up by the focus group is the use or not of the building or **association of the country brand** with the brand representing the franchise network. For the strongest brands, the fact of being Brazilian was not considered very relevant.

"People have no connection with our product with Brazil, but the expectation is positive. The country is interesting, with beautiful woman, people wear little clothing, skin is tanned, natural ingredients... so, it seems to be OK" (F1).

Analysis Category	Brand Phases	Franchising Application
Developing a Competitive Marketing Mix	**Introduction**	Suitability of the management structure to the positioning strategy
	Elaboration	Adjustments to local market conditions
	Fortification	Brand fortification actions in the mind of the international consumer

Table 4. Developing a Competitive Marketing Mix in phases
Source: Grupo focal e entrevistas em profundidade

In the elaboration phase, the marketing mix is adjusted according to market conditions to increase the value of the brand image within that market.

"So, the concept of brand, product, by entering each market, tells you how to adapt to each market."

In the fortification phase, there is a concern about the solidification in the consumer's mind regarding functional, symbolic, and experiential benefits; positioning; and marketing mix. Franchising networks must emphasize their connection with the concept and solidify the brand image internationally. In this step, working with a more standardized marketing mix so that consumers recognize the brand and the product in other regions contributes to the growth of the brand.

4.1.4 Management structures of international operations

The role of International Marketing is **to understand consumers** and the reality of the market where the franchise network intends to set up its operations. *"We conduct market research, as a focus group, and qualitative research to understand the potential"* (E1).

Another important aspect is to provide support so that communication can adapt to the new operation the best way possible.

Based on the analysis of results obtained with the focus group, it was possible to identify the main forms of management structure of international operations and brand management: a) Management board, international consultant and back-office; b) Marketing structure abroad; c) Professional experience in valued marketing.

a) Board of Directors, International Consultant and back-office

The Management Board must exist to decide in which countries the networks will operate and which structure they will adopt, constantly monitoring results. And which countries have the potential to grow. The results are monitored. "*Results are presented and monitored by the Management Board every month and a half*" (F2).

International consultants make visits and monitor the operation. Sometimes, they are part of the franchise structure in some countries. *"For instance, it is always important to have a back-office in each country that can provide Local Technical Assistance"* (F2).

Having an after sales service and CRM is always important, both for the local partner and for the final consumers, ensuring the sustainability of international expansion and the brand image within the market.

b) Marketing Structure abroad

In some networks, the franchisee is responsible for receiving the franchise material and translating it into the local language. Overseas operations require attention to keep the brand standardized.

"So, franchisees have to deal with the marketing part. (...) most things come to them, they simply translate the material into the local language and it's done. (...) some things are designed to meet the needs of each country."

In other franchise networks, the international area is a Business Unit of the group, being managed based on annual planning, budget and goals, monthly monitoring of results, and presentation of the most relevant results to the Management Board.

The mode of entry into these countries has been more active as they have more potential to grow. "*It has its own operations and employees in Portugal, Colombia and an e-Commerce in the United States, which are managed more closely from Brazil*" (F1).

Some networks operate more passively, meeting the demands of those who seek them after analysis of growth viability. In the case of international franchisees, they are more likely to **monitor** sales performance, forecast growth or decrease, and whether the franchise is experiencing any specific problems.

"It's all there, saying that the brand is responsible for this, the franchisee is responsible for that, but there are always conflicts, because one thinks that what works in the region is this, not that" (F4).

Some franchises prefer to share the structure and brand management with franchisees. *"I have both ends in Brazil, wholesale and retail. Abroad, it is retail only. We have an international consultant who visits our international stores every three or four months"* (F2).

Without being able to provide the franchisee with local support, as it is possible to do so in Brazil, brand management can cover more tasks for the franchisee who is abroad. *"The franchisee has to deal with the overseas marketing part. He/she translates the material to the local language and some pieces are designed for each country, but he/she must maintain this structure and have a commercial coordinator, or a shop supervisor"* (F2).

c) Valuable Marketing Professional Experience

Brand management abroad also requires experience and training. It is important that managers have branding knowledge, an asset increasingly valued.

"So, I joined the company as the branding and communication person. I helped with the creation of the brand; I was managing that part. And so, they asked me to lead the launch in Portugal for being a branding and communication person. My background within the company is a branding history. I think this is a sign that it is important to observe brand behavior at the moment" (F1).

4.1.5 Choice of governance model and internationalization process

In the analysis of the brand launched abroad, the governance method chosen by the franchise network and the internationalization process must be taken into account.

a) Governance Method

The brand is one of the factors influencing the choice of governance method in foreign markets (Jell-Ojobor & Windsperger, 2013; Merrilees, 2014). At the same time, the process of brand building and management is also influenced by the governance method chosen. How the franchising network will build its brand in the destination country may be linked not only to the type of product, but the governance method the company has chosen to manage its operations. There is a direct correlation between how the brand will become known and the entry format chosen, as shown in Table 5.

"The way you enter markets is the way you want to run the business. I believe the best way to get in is through a franchise brand that will open franchise units; or through a unitary franchise that is multiplying with other franchisees who may also have become a multi-franchisee" (F1).

As the brand is an extremely important asset in the franchising system, the concern with its use and monitoring in international markets impacts decisions based on the governance method. Governance methods that grant franchisors greater control (owner of units, for example) present less risk when it comes to the use of the brand.

On the other hand, the experience of a partner in the local market in shared-control governance methods as master franchisor and area developer, helps the brand building process in the foreign market.

"Markets vary a lot. So, the way to get into each market can be very different. We can enter with a factory, we can enter with a distributor, we can enter with multi-franchisors. What matters is the growth of the brand at the international level. Without losing track of our goal, still considering the possibilities offered by other markets."

In the same way, the governance method adopted interferes in the process of brand building and management in foreign markets.

""(...) we have our own operations in Portugal, Colombia and an e-commerce in the United States, and then we have several partner operations (...) Each one of our partners works in a certain way, as agreed (...) we have established the way this guy or that guy can do the communication."

Aspects	Brand Influence
Governance Method	The governance method may vary from market to market The brand can influence the choice for governance method Brand building and management process abroad can be influenced by the governance method
Internationalization process	Network expansion model abroad: Active - searching a partner Liabilities - proposal review

Table 5. Choice of governance method and internationalization process
Source: Focus Group and in-depth interviews

b) Internationalization process

The way the internationalization process is established, and the international **expansion model** chosen by the network influence the processes of brand building and management in international markets.

An **active model** can be established in which the network seeks an entrepreneur profile, or partner in the foreign market to manage the business. And a **passive model**, in which the franchise network expects to receive internationalization proposals and decides whether to accept it or not. Attempts to internationalization are often passive.

In the active model, the partner/potential franchisee profile must be defined and a selection process for these partners established. "*The idea was to find a partner that can fulfill the requirements established by the entrepreneur. And this is what we did in the United States and Portugal*" (F3).

For example, a brand was introduced to the Kuwait market based on the assumption of a local entrepreneur that the brand could succeed in that country, taking on all the risks and costs associated with this transition.

Another example, a car rental company has to be very careful with the quality of services provided. For that reason, it has already refused several partners, as they did not meet these quality standards. "*I've already declined several requests*", F4.

In the process of Active growth, the search for the ideal partner appeared several times. Some attributes were highlighted, as shown in Table 6.

Franchise networks choose partners abroad who seem to have a good governance structure. In other words, professionalism and clear rules.

The interviews with managers representing fashion companies revealed that building the brand abroad depends primarily on the selection of partners willing to engage in a long-term commitment, as shown in Table 7.

For the three companies, the **search for a partner** who agrees to invest in the brand is the biggest challenge abroad. **Marketing and Branding qualification of franchise partners** was the second challenge, according to the managers interviewed. They included the Brand name/Logo/registration/Positioning. One aspect highlighted during the interview was the importance to build positioning and a brand language in the destination country.

"*We seek to introduce the brand without detracting from the value of the brand, the language of the brand and its positioning, but adaptations are still necessary. We have entered markets in which the acceptance was far different from what was expected*" (E2).

A unique positioning with a single value proposition. *"But for each market, we can adapt to the minimum necessary so that the*

Analysis Category	Franchising Application
Ideal Partner	- Good governance structure - Well-structured and professional - Have financial resources - Agree to invest in brand building - Have international experience - Flexibility

Table 6. Search for the ideal partner
Source: Focus group

market recognizes and appreciates our value proposition and our brand" (E1).

The difficulties of internationalization mentioned in relation to marketing strategies include: understanding and adapting to the culture of each country, the different languages, the search for good operators and the scale to work abroad.

When networks go abroad, they seek to run the business in a similar way as they do in Brazil, still **adapting to the local culture**. *"We cannot say that the business we do in Brazil works in India, in China, or in the United States"* (F5).

Analysis Category	Franchising Application	Examples
Building the brand abroad	Search for partners	"Partners committed to the brand in the long run"
	Marketing and branding training provided for international partners	It is not possible to grow the brand overseas without product and market knowledge
	It includes decisions regarding name, logo, positioning, and registration	"A unique positioning, based on a single value proposition"

Table 7. Building the Brand Abroad
Source: In-depth interviews

It is important to **hear what international franchisors** have to say about the reality of their countries. *"Every time we enter a new country, local franchisees always pinpoint a setback in the initial business, which must be negotiated"* (F5).

Fashion companies have pointed out the search for bigger markets and how to achieve a minimum profitability that pays the investments made, as shown in Table 8.

"Every project we get involved in requires revenue and profitability counterparts. When observing the international universe,

*we look at **greater demands**. We must analyze market plans and the **level of profitability acceptable** to the company. Sales and profit increase is allied to the minimization of risks, capillarization of the brand, and the valorization of the capital (equity) of the brand"* (E1).

The deadline for the return on financial investment abroad will vary from market to market. It was also pointed out the need for a dedicated structure and qualified people in order to grow.

One of the internal factors is the company's motivation to know new markets and how the competition operates. "*Conhecer*

Analysis Category	Franchising Application	Examples
Internal Factors	To have financial resources and plan for international growth	"To achieve minimum profitability to pay off the investments made"
	Structure and qualified persons	Planning, people and processes to operate abroad
	The desire to learn about new markets	"Get to know who operates there, and if it is possible to grow"
External factors	Market Characteristics	"Entering markets to increase profits and sales"
	Local culture has strong influence	"How to adapt, including how partnerships are made depending on the local culture"
	Competition	Monitor the competitive movements of competitors operating in the same industry
	Network of relationships abroad	"Network of relationships abroad and knowledge of the international market"

Table 8. External and internal influencing factors
Source: In-depth interviews

a competitividade no mercado onde pretende atuar e determinar o quanto seria viável econômica e financeiramente é crítico para qualquer operação internacional" (E1).

These factors must be taken into account in the elaboration of recommendations for new franchise networks that decide to internationalize.

4.2 TRENDS

The Internet has greatly changed the way brands are built abroad. Companies can use digital channels to offer their products abroad. After exporting, planning and investing in a physical store becomes necessary to showcase and build the brand overseas.

In addition, **Social Media** as a whole presents many possibilities, including introducing the brand and products to specific groups.

The **types of international partnerships** have also increased. It is possible to seek a partner abroad and to make partnerships such as: Joint Venture, Master Franchisee, Brand Associations, among others. To give an example, a Brazilian network in Spain chose a Bookstore Chain and signed a huge Partnership in the format of Brand Association.

In order to create visibility in other countries, **concentrating the brand** in specific commercial points can be used as a strategy to promote brand awareness. For example, a Brazilian network of food franchises has recently opened three nearby stores, at the same time, in places with high foot traffic and a very wide entrance. This creates a concentrated volume of business, in addition to strengthening the brand in several points of sale.

The **follow the client's strategy** can also be applied. For example, a language network follows a Brazilian community in Japan, and only opens on Sundays. But this strategy is dangerous, because sometimes, in Retail, a community alone does not sustain the business with enough volume to maintain its operations.

Growing abroad involves choosing the ideal partner. It also requires an entry strategy, financial resources, structure, and the right people. Generally speaking, networks that have more resources available launch their own stores, the ones that do not, establish partnerships.

Many Brazilian networks set up businesses in South American countries due to geographical proximity. But in distant countries, a master franchisor or joint venture are often needed to establish a brand. Very competitive markets, such as the United States, deserve special attention. Growing in the US is very difficult and balancing budgets to at least cover the costs needed to maintain the operation becomes a constant concern.

5. RECOMMENDATIONS

Introducing a brand to other markets has to come hand in hand with a gradual growth of the internationalization process of franchise networks. That's recommendation number one. When choosing a country to establish a network, it is important to gain international experience in this kind of operation and knowledge on how grow organically in that country, prior to opening businesses in other markets. Each country has its own particularities, and franchise networks need time to learn more about international markets. The operation requires minimum financial sustainability so that it can maintain its operations abroad. It is necessary to strengthen the operation in a country first by selecting an operating governance method that is compatible with the resources available and enables sustainable growth, generating sufficient financial resources and an operational scale favorable to international expansion.

It is important to remember that the process of internationalization needs time and financial resources for the brand to establish itself in the international market. Franchisors must be aware that international insertion demands considerable financial resources. Any international incursion needs an outside prospect to visit the franchise headquarters and get a better understanding of the market.

Choosing a market for expanding a brand involves an in-depth analysis of geographic and cultural proximity. Most franchise networks concentrate their operations in Latin American countries. This does not mean that the operation model in Brazil is the same adopted abroad. The adaptation to these markets needs to be taken into consideration, even if the markets are culturally close. In addition, operations in geographically close countries facilitate the monitoring process for brand development, particularly in the case of franchises operating in the service sector.

The second recommendation is to prevent the so-called "you want it, you got it" approach, or not taking the brand abroad without prior planning, as highlighted by Rocha et al (2012). This implies taking careful steps towards accepting a business proposal coming from the first prospect partner who walks by an Expo Franchising stand or visits the headquarters in order to take the franchise abroad. This more passive internationalization approach must be handled carefully. Careful internationalization planning and how to deal with the operation of the brand in the international market are extremely necessary.

The third recommendation relates to the selection of an international partner capable of expanding the brand abroad, if the governance method selected contemplates an international partner. Observing the personal attributes and professional experience such as leadership, long-term commitment, local market knowledge, trust, and empathy is essential when selecting a partner who wishes to introduce a brand abroad. International partners must believe the brands they represent and be aware of the risks involved, so they can understand the value of their brands abroad. Therefore, partnerships must have clear rules on the roles played by each part sharing the overseas operation related to the development of their brand.

The fourth recommendation is to pay close attention when opting for a brand-sharing strategy with international partners. The brand identity and its reputation must be discussed upfront. At first, co-branding with a partner known abroad to promote the brand in a particular market may sound attractive. However, if the brand becomes consolidated, it will be difficult to separate the brands, which may hamper its identity.

The fifth recommendation is tied to the structure needed to keep the brand abroad. A management board; a structure to monitor the international operation and the use of the brand; after sales and CRM services, both for local partners and final consumers, are strongly recommended. This will generate greater international expansion sustainability and the higher brand visibility abroad. In summary, having a brand management structure that tracks down the growth of the business in a sustainable way is key to the development of the brand.

The sixth recommendation is associated with a franchise network leadership that: "Buys the dream" and believes in the project. The empathy with the international partner and the replication of the business mental model have also been considered indispensable to the success of the brand abroad. In the case of services, the challenge of maintaining brand management abroad can be even more complex, as it becomes necessary to standardize the quality of service provided in all units.

6.
FINAL CONSIDERATIONS

The expansion of a franchise also broadens its experience and increases its size abroad. The attractive " you want it, you got it" model focused on opportunism and small quantities, is replaced by the choice of more significant, long-lasting partners who also represent strong and global brands as the major import retailers.

The strategy chosen by companies to enter the international market is the beginning of every brand building process, and must be followed by the functional, symbolic and experiential benefits that the brand offer, as well as the positioning strategy and development of a competitive marketing mix.

The entry and governance method are the first aspects to be defined upon entering a new market. They must be chosen according to an international expansion planning and study of the respective market, including: Self-owned units; Joint Venture; Master; among others.

Obviously, monitoring a brand that represents a large company is a challenge relevant to all points of sale in Brazil. In this partnership model, growth also occurs in markets that may not have been necessarily included in the planning process.

Relationships and opportunities are also materialized by mutual trust. The success of a brand abroad is an attractive concept because it inspires confidence by telling the market the business is well structured. The image is that nobody grows in the foreign market without proven competence. Still, the challenge of managing the brand and attracting good partners abroad is greater.

The interviewees declared that the main challenge relies upon how to make a brand known abroad, because many brands are known in Brazil. Once abroad, it is necessary to promote other incentives, because only few know the brand.

The initial difficulty imposed upon the process of introducing and growing a brand abroad may lead franchisors to settle for less or stretch the business to win successful partnerships abroad. Some negative experiences have been reported, such as the need for co-branding with local brands and even spelling changes.

In terms of brand management in an increasingly connected world, what is happening in Brazil today is very close to what is done abroad, although some strategies may vary.

However, it is not possible to have a rule of thumb for what must be maintained and what must be standardized, something so essential for international marketing strategy, that is also applicable to the brand.

The challenge is to inform the international partner about the know-how that has led to the success of the brand in Brazil. By doing so, it is possible to reach the international market with a business concept easier to present and to be understood.

This relationship between adaptation and standardization will vary greatly, depending on the type of franchise business. Some, for example, depend on the standardization of a service and the service of a third party, which makes it difficult to monitor the brand abroad.

With a more organized structure and strategic decision-making power, governance methods may vary widely. Which is the case with operations established with outsourced structures in attractive countries, or operations with self-owned structures in others. Operating with self-owned structures also leads to more sustainable growth.

Keeping the same brand name in Brazil and abroad does not only depend on the word or the meaning being aligned with the international market, but also on the entire portfolio of brands that a company deals with in a particular country. Usually, franchises start off by introducing their best and most well-known brand.

As far as foreign networks operating in Brazil, they had been operating abroad (in more than five countries) for the longest time, 24 years, on average, which demonstrates high commitment to the international operation (ROCHA et al, 2016). Brazil is not the first destination for these networks. When they first arrive, they can demonstrate their experience in developing the brand abroad.

They are major competitors capable of bringing innovation to Brazilian franchise networks, so they can grow in internationally by showing professionalism, and well-thought-out, medium to long-term planning.

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APPENDIX A. FOCUS GROUP SCRIPT[1]

FOCUS PRE-GROUP BLOCK (15 minutes)

Welcome

Introduction of participants. This is an academic study and no data will be used by itself. Anyone interested may nominate an employee to attend an ESPM's Stricto Sensu discipline as a listener.

We are developing a study on how to build and manage franchise networks abroad.

So, we'd like to hear from you.

BLOCK 1 - INTRODUCTION – MEANING OF BRAND (15 minutes)

What is considered a good franchising brand?

What is the role of the brand within the franchising segment?

What makes a franchising brand work?

What makes a franchising brand go wrong?

Is building a brand in Brazil different from building a brand abroad?

What is the structure required?

Is the number of units in Brazil (for example, 100) required prior to establishing operations abroad?

Why?

Closing (3 min) => Something to add

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1 Focus Group Script conducted at ESPM on May 22, 2018 by Professors Eduardo Spers, Thelma Rocha, Vanessa Bretas - ABF, in the presence of 5 managers representing internationalized Brazilian franchise networks.

BLOCK 2 – PLANNING ON HOW TO INTRODUCE THE BRAND ABROAD (15 minutes)

When did you decide to enter the overseas market?

How did your network build your brand abroad?

What kind of governance did you choose abroad?

How does this affect the brand?

What functional benefits do you see in your brands?

What symbolic benefits do you see?

What experiential benefits do you see?

Closing (3 min) => Something to add

BLOCK 3 – THE INTRODUCTION OF THE BRAND (15 minutes)

Who was the overseas partner?

What were the decisions related to POSITIONING? Basic Pledge, Rationale and Additional Benefits

Targeting – Is your product positioned for the same group of customers?

Is the brand the same as in Brazil? Were there changes (adaptations) to the logo or positioning?

What remained the same (standardization)

What has changed in terms of PRODUCT? What was left unchanged

What has changed in terms of COMMUNICATION? What was left unchanged

What has changed in terms of PRICE? What was left unchanged

What has changed in terms of DISTRIBUTION abroad? What was left unchanged

Closing (3 min) => Something to add

BLOCK 4 – BRAND MAINTENANCE / MANAGEMENT (15 minutes)

And now, how is the fortification of your brand abroad?

What were the functional benefits thought out?

What were the Symbolic benefits used?

What were the Experiential benefits used?

How has your brand used the Internet in this brand building process?

And how does your company use Social Networks to grow abroad?

Have you heard of the Follow the Clients strategy, do you believe they help you?

And what strategies have you seen being used in brand management that can be considered different?

What are the biggest challenges to building your brand abroad?

What is helping to build your brand abroad?

What role do partners play in this process?

What is the structure needed to grow abroad?

Closing (3 min) => Something to add

BLOCK 5 – FUTURE CHALLENGES (15 minutes)

What suggestions would you give to someone starting the internationalization process now?

What to expect from brand management in the next 10 years?

APPENDIX B. IN-DEPTH INTERVIEW SCRIPT [2]

Name of participant:

Position/position within the company:

Length of experience in the company:

Part 1 – Completion before the interview

Company history

Company Name:

Starting date with company:

Year of internationalization:

Entry mode:

Year when first unit abroad was launched:

Self-owned units:

Franchise units

Number of countries in which the company operates:

Total number of units abroad:

Total number of own units abroad:

Trajectory of the company:

2 Script and interviews developed by Alexandre Degani Cantoni as part of his Master's degree. See full CANTONI (2016) study at http://www2.espm.br

Part 2 - Completion during the interview

Investigation of the critical factors preceding the internationalization process

1. Analyzing your answers to the questionnaire prior to the interview, the following items were identified as critical factors that preceded the internationalization of your franchise network. What is the order of importance of these items for internationalization?

2. How did the most important item influence the company to go international?

3. How did the second most important item influence the company to go international?

4. What could be done to facilitate internationalization?

5. Length of the interviewee's professional experience in international projects.

6. What aspects were critical to the marketing team during the internationalization of the franchise network?

7. What is the role of the Marketing area or team in the internationalization of your franchise?

8. Does the company work with the same brand in Brazil and abroad?

9. How does the company work towards positioning itself in Brazil and abroad?

10. Can the marketing strategy be considered global? Why?

11. Was the company forced to make adaptations to commercialize the product abroad?

12. Has the company made price adjustments in order to market its products abroad?

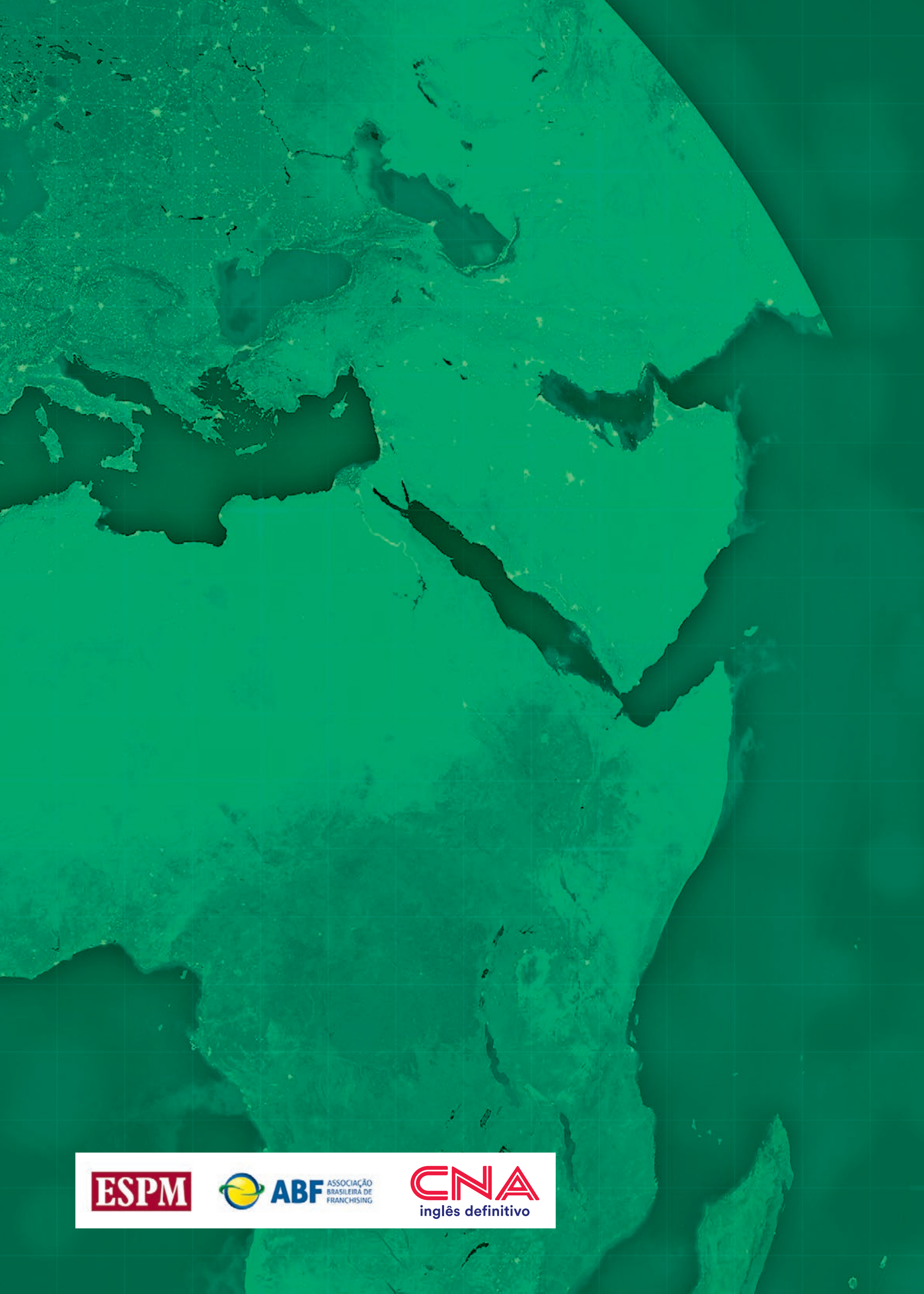
13. Was the company forced to make changes to its communication strategy in order to market its products abroad?

14. Was the company forced to make changes to its promotion campaigns in order to market its products abroad?

15. Has the distribution of your products been adapted to each country abroad?

16. How are the company's marketing actions coordinated in Brazil and abroad?

17. Would you like to draw attention to some important aspect of internationalization?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