ISCTE Business School
Instituto Universitário de Lisboa

Business Plan – The case of a franchising firm

David Miguel Jorge Silva

Dissertation submitted as partial requirement for the conferral of
Master in Finance

Supervisor:
Mestre Rui Pedro Soares Ferreira, Prof. Assistente Convidado, ISCTE Business
School, Departamento de Finanças

September 2015

ISCTE Business School
Instituto Universitário de Lisboa

- Spine -

Business Plan – The case of a franchising firm

David Miguel Jorge Silva

Acknowledgements

This project was realized against the clock, but for me it was a great experience once it allowed me to improve my technical and behavioral skills. My sincere acknowledgements to the following people:

First of all, I need to express my deepest gratitude to professor Rui Ferreira for all the guidance, support, motivation words and comprehension. His professionalism and deep expertise were extremely important to complete this project.

Dr. Rui Francisco deserves my sincere appreciation for his availability, enthusiasm and confidence on my work. He reveled to be a fantastic person who deserves all the best in his life.

A word of acknowledgement to all of my friends who supported me in the last few months, I really appreciate their patient and comprehension for all the times I was away.

To my family, especially my parents who always believed in my value and encouraged to do this master.

Finally a special word to Ana Ramos, my girlfriend, who always believed in me and encouraged me to never quit. Without her support probably I would not accomplish this objective.

Abstract

The demographical evolution of the countries, especially in Portugal, shows that the elderly people had a boom and the sector grew exponentially in the last decades. It is a very specialized sector and it is necessary that the market has available solutions to respond to the needs of this target. In Portugal, this market is highly segmented, existing many players with small dimension, however, any of them provide complete and multidisciplinary solutions for the client.

Affection and Care Givers (ACG) was created with the objective to meet the need of a complete and professionalized answer in the market of products and services to support the elderly (and people with special needs), being in the market since 2005. Nowadays, ACG has 14 stores in Portugal (13 franchised and 1 own) and operates in the following areas: specialized products, healthcare services, home support services and social services.

Regarding strategy, ACG opted for a growth model through franchising and there are a few other competitors in the portuguese market operating in the same model. ACG is the player with higher number of stores and aims to consolidate its position in the market by opening new stores.

This project aims to analyze and develop a growth strategy in Portugal for ACG.

Key words: Geriatrics; Seniors; Business Plan; Growth Strategy

JEL Classification: M10 – General, M21 – Business Economics

Resumo

A evolução demográfica dos países, em especial em Portugal, fez com que o segmento dos idosos tenha tido um *boom* e crescido exponencialmente nas últimas décadas. Sendo um setor com especificidades muito próprias, é necessário que hajam no mercado soluções que respondam a todas as necessidades deste *target*. Em Portugal, este mercado está altamente segmentado, existindo muitos *players* com pouca dimensão, no entanto, não existem soluções multidisciplinares para o cliente.

A *Afection and Care Givers* (ACG) foi criada com o intuito de suprir a necessidade criada pela falta de uma resposta completa e profissionalizada no mercado de produtos e serviços de apoio ao idoso (e pessoas com necessidades especiais), estando presente no mercado desde 2005. Neste momento possui 14 lojas em Portugal (13 franchisadas e 1 própria) e opera nas seguintes áreas: produtos especializados, prestação de cuidados médicos, apoio domiciliário, apoio social.

Em termos estratégicos, a ACG optou por um modelo de crescimento através do *franchising*, sendo que existem no mercado português alguns concorrentes que funcionam no mesmo regime. A ACG é o *player* de mercado com maior número de lojas em Portugal e pretende consolidar a sua posição através da abertura de novos centros.

Este projeto tem como objetivo definir uma estratégia de crescimento em Portugal para a ACG.

Palavras-chave: Geriatria; Idosos; Plano de Negócios; Estratégia de Crescimento;

Classificação JEL: M10 – General, M21 – Business Economics

Table of Contents

List of Tables

List of Figures

List of Abbreviations

ACG - Affection and Care Givers (Fictious name)

GDP – Gross Domestic Product

PESTEL – Political, Economic, Social, Technological, Environmental and Legal

PS – Partido Socialista

PSD – Partido Social Democrata

SWOT – Strengths, Weaknesses, Opportunities, Threats

VAT – Value Added Tax

Glossary

Business Format Franchising – is the franchising “formatted”, this encompasses all the procedures in the network for all franchisees, and usually it uses a manual of procedures in order to ensure that each franchisee operates with all the characteristics of the network.

Franchisee – is the person or entity that purchases the franchise right to use patent(s). The obligations of the franchisee are broken down in the contract.

Franchising – Contract between the franchisor and the franchisee in order to have permission to use a brand or patent accordingly to certain clauses.

Franchising Contract – is a legal agreement through the franchisor grant the right to use one or several patents according to certain conditions.

Franchising Network – Set of stores/centers that are connected legally to the franchisor and tend to operates according to the same procedures.

Franchisor – is the person or entity that sells the franchise. The franchisor owns the patents, trademarks or knowledge property as well as expertise, furthermore he grants, through the contract, the rights to use the property, providing operational and administrative assistance in the business management to the franchisee.

Marketing fee – is the value paid to the franchisor with the purpose to disclose the brand, products and services offered in the network. This fee can be fixed or variable, depending on what was agreed in the contract.

Master franchisee – The master franchisor is the owner of the rights, assigned by the franchisor, to operate in a certain territory or region, usually a country.

Purchasing Power *per capita* – is an indicator that intends to traduce the purchasing power for each inhabitant. It is an index number with the value of 100 in the average of the country and compares the different regions of the country.

Royalties – is the counterpart paid to the franchisor for his assistance and support (training, research, knowledge, *etc.*). Usually royalties are variable and are indexed to the sales turnover of each store.

1. Executive Summary

ACG is a portuguese company that operates in the market since 2005. It was created by a portuguese entrepreneur who decided to start the business when he searched in the market for specialized, effective and complete answer to support a near relative and he did not find the desired answer. After he identified that market need, he decided to open his own store to provide all the support to seniors and people with special needs.

After that, he participated in a television show and he was contacted by people who wanted to replicate the concept, so, he started growing by using franchising. Since then, ACG has been evolving and becoming more mature, but has the growth has been smooth, now ACG intends to consolidate its position in the market.

The value proposition of the company is based in a multidisciplinary offer to the client, which is indeed the differentiation factor. Meanwhile other competitors offer simply isolated services or products, ACG can fulfill the majority of the clients' needs in the store.

ACG sells specialized products and provides services of home support, healthcare services and training to any relative who intends to take care of any dependent person.
ACG aims to increase the number of centers in Portugal in the next years, maintaining the model of franchising, believing that centers in counties with population density higher than 100 seniors/m^2 and purchasing power also higher than 100 are viable in order to go ahead and to be profitable.

The scope of the business plan is to analyze the current situation of geriatrics franchising firms and then define a growth strategy for that company in Portugal. The project is divided in 4 main chapters. The first chapter is the literature review where are analyzed relevant concepts for the projects, then the next chapter aims to analyze the macro environment and the geriatric market itself. Then the third chapter refers to the internal analysis of ACG. To do this internal analysis it will be used data from ACG and data retrieved from interviews and questionnaires to the franchisees. Finally, the last chapter includes the conclusions of the project as well as difficulties encountered during its realization. Furthermore it will be presented suggestions for future developments of ACG work.

2. Literature Review

2.1. Entrepreneurship

Entrepreneurship is a concept which is becoming more and more popular in the last decades. It is a XVIII century french word that came from the word “entreprende” and literally, it means “to undertake” something. The concept nowadays means starting a new business, usually from the scratch. It is worth to explain that an entrepreneur is not only a visionary or an inventor, he is someone who transforms an idea into a profitable business.

Davidsson (1989) investigated economic theory and summarized the entrepreneur main characteristics~~,~~ proposed by different authors over the years. He described the entrepreneur as a person which has the following attributes:

Risk-bearing – The entrepreneur is a risk-taker, he likes new challenges and he is willing to go ahead in an uncertainty scenario. Risk usually means higher elasticity that can generate bigger profits or bigger losses.

Innovation – Entrepreneurs are innovators in the sense that they have vision and prospection of future potential needs.

Middleman, coordinator, organizer or gap-filler – These attributes are related with opportunity’s development. The entrepreneur actually organizes and coordinates all the resources in order to improve his proposal, to make it happen.

Creation and perception of opportunity – Entrepreneurs are aware of the environment and they are able to identify opportunities to create value.

A study led by Raposo, Paço, and Ferreira (2008) aimed to understand the profile of university entrepreneurs. This study divided people in two different groups:

Group 1 “the accommodation independents”

The main motivation of this group was economical, personal independence as well as autonomy at work. However, they had low levels of self-confidence and low ambitions.

Group 2 “the confidents”

People within this group were recognized as more confident and also with greater leadership skills. Their main ambitions were financial conditions and social status.

These researchers concluded that the second group has higher predisposition to create or to own their business, therefore they correlated self-confidence and leadership with likelihood of being an entrepreneur in the future. It is worth to mention that Davidsson (1989) and Kourilsky (1980) had already suggested these kind of attributes where related with entrepreneurship prospection.

Kirby (2004) also developed a research that aimed to understand the entrepreneurial behavior of MBA Students against Business Owners/Managers and Lecturers/Trainers. He analyzed need for achievement, autonomy, creativity, calculated risk-taking and locus of control and he showed that students had lower levels of entrepreneurship attributes than the other groups. Hence, he concluded Business Schools are focusing too much on technical skills and competencies rather than the skills above mentioned. So these schools need to stimulate entrepreneurial thought.

However people tend to accommodate in prosperity situations, as was the case of Europe until 2008, and if they are happy with their position and situation~~,~~ they tend to be less risk-bearer. On the other hand, in critical situations people tend to fight for better conditions and it is representative of the entrepreneurial initiatives in those situations. Nevertheless, the financial crisis lived in Europe since 2008 had a negative impact on the number of new firms. This can be explained by the credit barriers from the banks, in other words, companies have much more difficulties in acceding to credit lines than before 2008.

The following graphics show the evolution of unemployment and the number of new firms for Europe[1] and Portugal between 2004 and 2012:

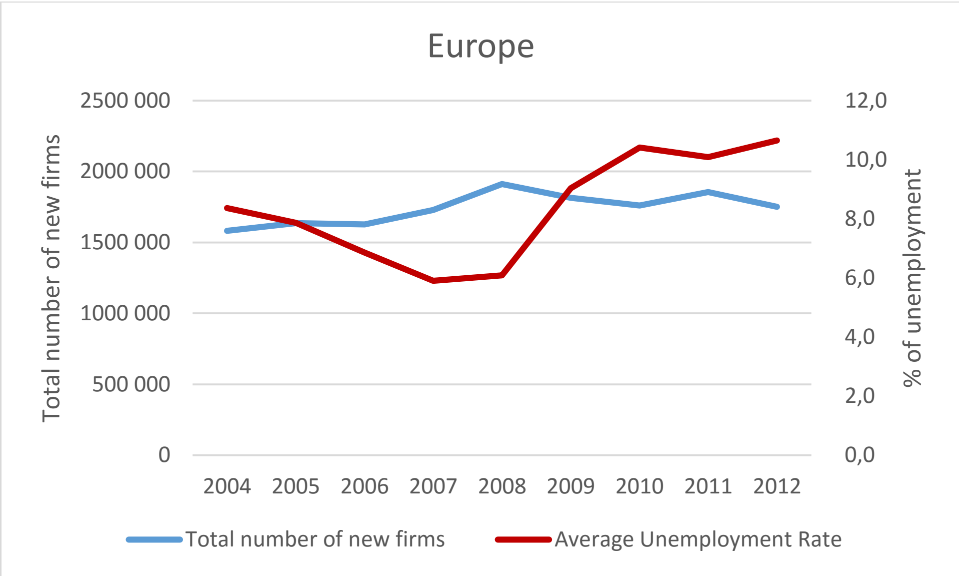


Figure 1 - Unemployment Rate vs Total number of new firms (Europe) (Source: Pordata.pt; Modified by the author)

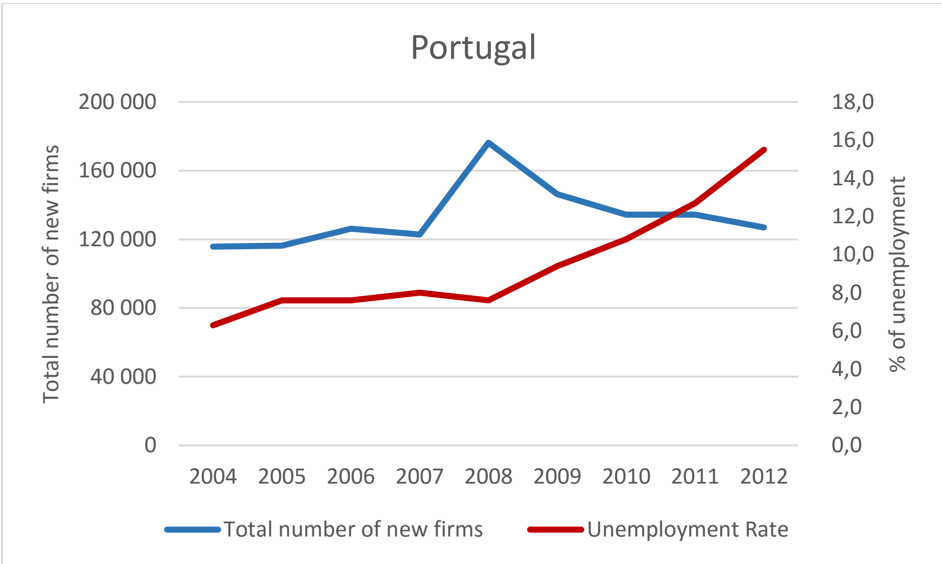


Figure 2 - Unemployment Rate vs Total number of new firms (Portugal) (Source: Pordata.pt; Modified by the author)

So as can be seen, entrepreneurship levels were sharply affected by the crisis effects. More precisely the unemployment rate increased almost to the double meanwhile the

[1] Includes information about Germany, Bulgaria, Cyprus, Slovakia, Slovenia, Spain, Estonia, Hungary, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Portugal, United Kingdom, Czech Republic and Norway. The other countries were not considered since they had not consistent data during this period of time.

number of new firms had a trend to decrease. Once again, this decrease is explained by difficulties in access to credit lines by the companies which is normally one of the main source of financial resources for them.

2.2. Business Plan

The Business Plan assumes a major importance for any entrepreneur. It corresponds to the document which has information about the description of the product/service, marketing analysis, financial plan (including costs and revenue forecasting) and other topics considered relevant.

Sahlman (1997) reduces the importance of the business plan, stating that business plans have lack of robustness. Usually they have too much effort on the numerical part rather than relevant information for investors. Besides that, when business plans are built there are a lot of unknown variables that entrepreneurs probably will fail on their predictions. This makes the business plan a high risk document.

The same author presents on his paper the four most critical success factors for business plans which he called as a framework to write business plans:

1st - People

People represent all the persons involved in the business, especially the sponsors. To know in a detailed way the sponsors implies to cognize their background, not only on a scholar level, but also on a work experience one, as well as their passions and motivations, and their knowledge about the product/service and the market.

It is worth to mention the business plan should include not only individual information about each one of the members and their activity but also group information, this means assess if they have experience working together and how their projects went in the past.

Sahlman (1997) defends the idea “If you can find good people, if they are wrong about the product, they will make a switch, so what good is it to understand the product they are talking about in the first place”.

2^{nd} - Opportunity

Opportunity represents the moment in time when the product/service is or will be launched in the market. The author believes the entrepreneur should search for growing markets and quick payoffs once the more time goes, easier will be for new competitors to enter and this can compromise sharply the entrepreneur reward. He supports the business plan should include information about the possible scenarios in the future, like how the opportunity can grow/expand or disappear. A product/service can be extremely well-developed and competitive, however if the consumers are not prepared to buy it, it is not worth the effort.

3^{rd} - Context

Context evaluation represents an extremely important part of the business plan. It should include not only a macroeconomic environment analysis (analyzing economic activities, inflation rate, etc.) but also all the rules and regulations which can impact the activity of the firm (Taxes, Human Resources regulations, etc.) of the market and its buyers.

4^{th} - Risk and Reward

This last topic points to the reflection about the relation between Risk and Reward. The reality is dynamic and even the business plan is deeply developed, it is very unlikely the forecast will be precise, even more in projections to beside 3 years. Therefore, the entrepreneur must bear in mind that he can have a negative payoff. On the other side, the payoff can be extremely high, so the payoff can have a high variance.

The next figure represents the relation between occurrence probability and payoff, according to Sahlman (1997):

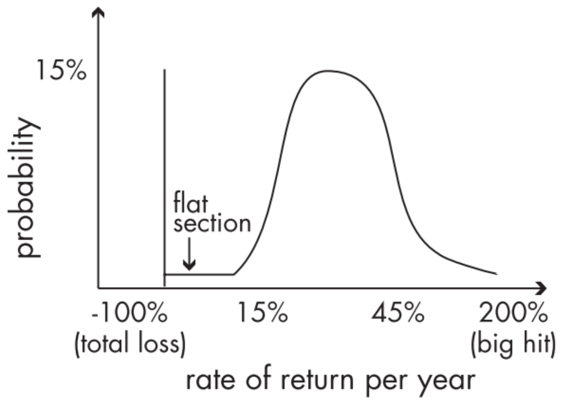


Figure 3 - Probability vs Rate of Return per year (Source: Sahlman (1997))

It worth to mention this author defends the main financial indicators of any business plan are the break-even of sales and when does the cash-flow turn positive.

McKinsey&Company (2000) also defined a framework to write business plans. They defined the following characteristics in order to present a successful business plan:

<u>“A good business plan impresses with clarity”</u>

The readers of a business plan should find on it all the answers for their questions. This means that the business plan should be organized so that anyone can search in it. Also, they believe the business plan should be “self-explainable”, this means that it can be read without any further explanations.

<u>“A good business plan convinces with objectivity”</u>

Objectivity in this case means the entrepreneur should produce the business plan without being too optimistic or too conservative. He should produce the information and let the readers take their conclusions. An interesting point about Mckinsey & Company’s book is that it states the business plan should not include weaknesses of the project without a mitigation plan. So risks and opportunities should be identified, but risks must have a mitigation plan in order to reduce any misunderstanding by the reader.

<u>“A good business plan can be understood by the technical layman”</u>

The idea behind this statement is that some entrepreneurs focus too much their effort on the numbers and on the computations, usually because they think it can increase the value of the business plan. According to this company, the majority of the readers appreciate simple and clear information and, typically, deeper information does not necessarily mean more valuable information.

“A good business plan is written in a consistent style”

This point is also an interesting and practical advice. Usually, business plans are produced by different people (it can be the entrepreneurs or not) so in order to maintain coherence of the text it should be written by the same person, or at least at the end, one person should be responsible to review and guarantee the business plan was written in a consistent way. If it is just one entrepreneur writing the document, it is expectable the text is consistent.

“A good business plan is your calling card”

Finally, the document should be prepared in a professional way. This includes maintaining coherence between graphics, data providers, text, *etc*. It should, also, include the company logo or a header if available so that the reader can feel integrated.

Osterwalder & Pigneur (2010) launched one of the most important books for entrepreneurship in the last years. They presented a new business plan model that they named “Canvas”. This model is, nowadays, largely spread and probably the most used in the world. The purposed framework is based in nine key points:

(1) – Key Partners
(2) – Key Activities
(3) - Key Resources
(4) – Value Proposition
(5) – Customer Relationships
(6) – Channels
(7) – Customer Segments
(8) – Cost Structure

(9) – Revenue Streams

This book revealed to be a changing point in the mindset of the entrepreneur. The canvas not only allows to focus on the main aspects of a business plan but also to have a quick overview of the process. The authors purposed the following framework:

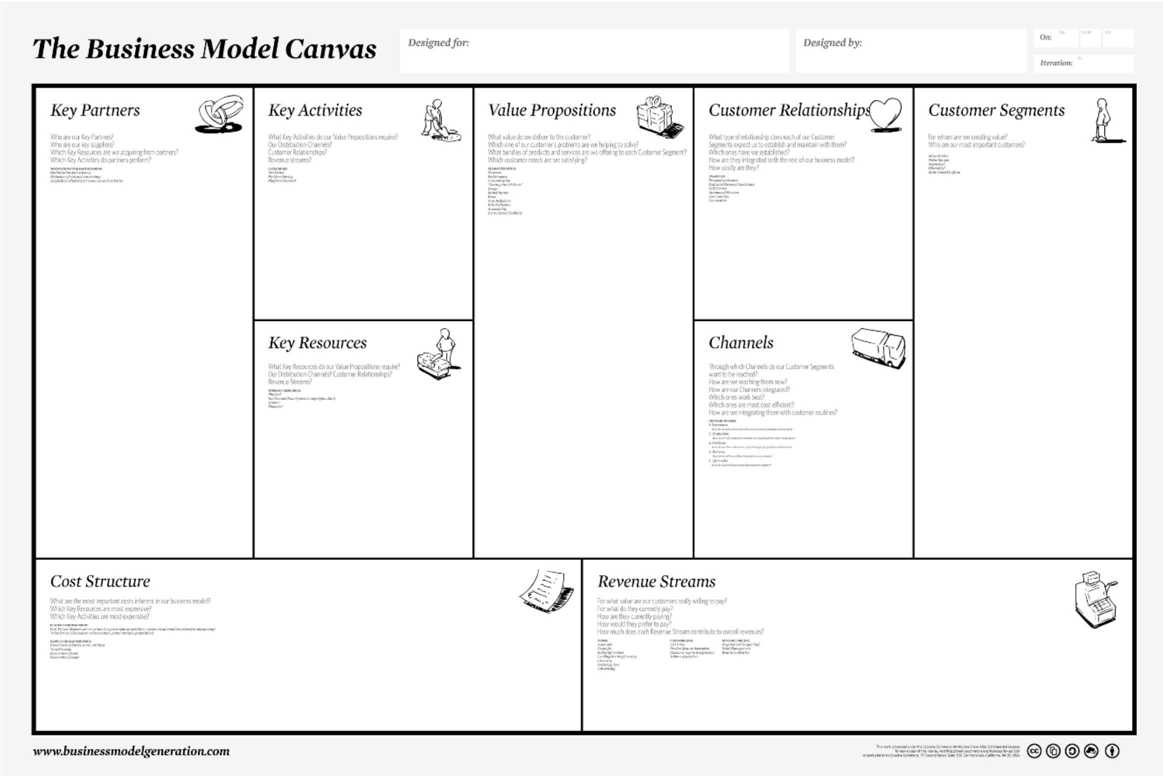


Figure 4 - The Business Model Canvas (Source: Osterwalder & Pigneur (2010))

Not only the content allows the entrepreneur to focus on what matters but also the appealing form of the canvas allows to develop and present the business plan in a much simpler way. Moreover, with the digital era the new trend is to work with tablets and smartphones. This model is extremely easy to work. Indeed, today, there are some applications for electronic devices that allow anyone to work anytime and anywhere.

The following image represents an example of a canvas model built through a canvas smartphone application:

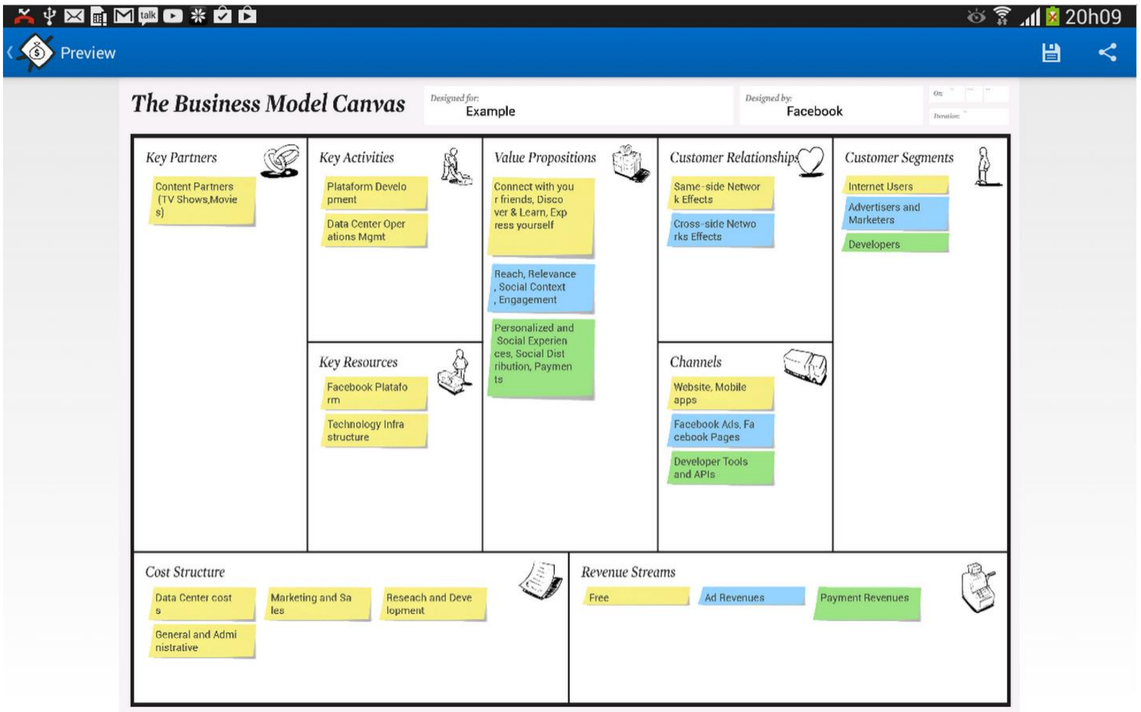


Figure 5 - Business Model Canvas (Smartphone App) (Source: "Modelo de Negócios Canvas Startup" Android application)

This approach is clearly simpler, furthermore, the output of the business plan is much cleaner to analyze and the colors work as a surplus point to highlight the most important topics.

The focus of this model are the relationships between different parties (or stakeholders), this means that only 2 of the 9 presented topics focus on costs and revenues. The remaining 7 topics are about customers, partnerships and resources and it is always focused on value proposition, according to the idea of Sahlman (1997), who refuses to give too much importance to financial data.

Exit or harvesting Strategies

According to Robbins (2005) there are five possible exit strategies that an entrepreneur should have in mind during all the process: "Just Take it", the liquidation, "selling to a friendly buyer", the acquisition and finally the Initial Public Offer.

It is important to explain each one of the strategies and their main advantages or disadvantages.

The first one, **“Just Take it”**, is the most “bohemian”. It consists basically in the entrepreneurs being harvesting all the outcomes during the company life cycle. This covers the opportunity cost of the project, however it can compromise hardly the future of the company. In practical terms, if is for instance the entrepreneurs have big salaries and big prizes, it is simply pulling out all the money. However a company that is not investing in its own future until having reached a health financial condition is compromising its future because, probably, that money took by the investors will be required in the future.

The next strategy is **the liquidation** of assets. This exit is applied in the worst scenario. This means that the business is not sustainable anymore and the investors can have some liquidity by shutting it down and selling all the remaining assets in order to minimize the losses. It is important to take into account that the majority of the assets should have a lower value then when they were bought (due to amortization and depreciation), therefore it will unlikely cover all the losses. Moreover, this kind of liquidation does not include any value for the brand or for the Goodwill.

A sale can be also valuable and it can generate a big payoff for the entrepreneurs. In this case, the author differentiates two different scenarios: **sell it to a friend** (or a nearby person) or sell it to another competitor (this is also known as **acquisition**), usually a bigger company which already operates in the market and is more mature. The difference between this two scenarios is basically the emotional connection that the entrepreneur has with the business. If he is emotionally attached it can be easier to overcome the sale if he will have the opportunity to continue following the business. However the author emphasizes that an emotional attachment despite simplifying due diligence process, it can affect the objectivity the numbers and the fair value of the firm.

The last exit or harvesting strategy is the **IPO**. The IPO is the most desirable scenario for the majority of the companies, however it is also the more difficult to realize. An Initial Public Offer is when the company goes public and it is a highly complex process. Meanwhile a sale is simply the agreement between two parties, an IPO involves much more stakeholders, which include not only the firm and their owners but also financial markets, investment banks, financial analysts, *etc*. A successful IPO can pay off the investors astronomic amounts of money but it is hardly difficult to happen. In the USA there are millions of start-ups and only about 7,000 went public through IPO, thus Facebook or Twitter cases are dream scenarios for entrepreneurs.

2.3. Growth Strategies

Scott & Bruce (1987) proposed a five stages model to represent business growth in small companies. The model suggests that the firm will have to face "crises" before proceeding to the next stage and the authors identified the basic features and the most likely crises to face on each stage.

The focus of this project is to analyze stages 3 and 4 (Growth and Expansion), so, assuming that the firm has already survived in the market they are very likely to:

Stage 3 – Growth

Basic features – The focus at this point will be on creating a healthy finance by satisfying easily the liquidity needs. It is also important to have a strong working capital.

Most likely crises: Entry of new competitors on the market as well as the demand of expansion which can be the entrance in new markets or offering new products.

Stage 4 – Expansion

Basic features – The budgetary control should be the focus at this time, accompanied by a professional management. The authors referred that, usually, this is a good time for the entrance of new equity partners since they will bring more funds that will help to build a solid long-term finance policy. Perhaps for the first time, the firm business and management strategy will be a big issue. These professional managers can bring some cultural shock because they are much less likely to act "for the sake of the business", but they are focused on creating value for shareholders.

Most likely crises: The distance of top management from the business and the need for client/market (external) focus.

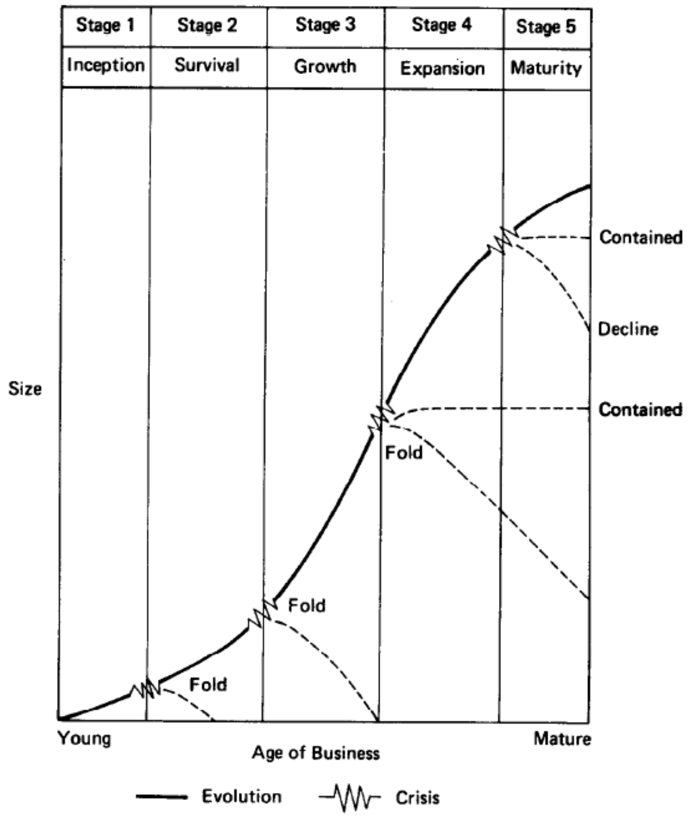


Figure 6 - 5 Stages growing model for small companies (Scott & Bruce (1987))

2.4. Franchising as a growth strategy

The franchising concept is derived by the anglo-french word “franc” which means the willingness to serve another person. However the initial meaning changed over time and the concept started to be used since XVIII. Brands like Singer used to grant right to produce their products or to use their name. Nonetheless it is becoming more and more popular since the 1950’s due to the sharp growth of some of the biggest players in the world as McDonald’s, Burger King or Kentucky Fried Chicken (KFC).

The franchising corresponds, basically, to a strategic alliance between several parties (Hoffman & Preble, 1991).

Firstly, it is important to distinguish between two different kinds of franchising (Dant, Grünhagen & Windsperger, 2011):

1 - Product and Trade Name Franchising

This type of franchising is the most traditional one that emerged in the first years of usage. It was used to allow the distribution of products of a given brand restricted to an exclusive concession area, for instance, it can be used in oil and gas stations. As the name indicates, the core relationship was based, mainly, on the brand and the products given by the franchisor.

2 - Business Format Franchising

On the other hand, the business format franchising is much more updated, active and in a bidirectional way. This means that the franchisor does not simply send products or allow the usage of the brand to the franchisee, they have a continuous relationship and they work together to build a stronger business. Typically, on this type of franchising, the franchisor also has other responsibilities as is the case of training, building a manual of procedures and keeping the business plan updated and as competitive as possible. It is worth to say that, usually, this model of franchising is paid through royalties of sales and it has also an entry and advertising fees.

Despite the idea itself can be easily comprehended – the franchising gives permission and the rights to operate in the market behind a certain brand in return of a counterpart (fees and royalties) – it is not easy to define conceptually since it can have too many specifications. Besides that, there is not an European law that regulates the franchising market (Kerkovic, 2010) and therefore it can be complicated to define the concept under all these circumstances.

The common aspect among the authors is that franchising corresponds to an agreement between the franchisor and the franchisee in which the franchisee is allowed to sell products or services accordingly to guides, procedures and methods defined by the franchisor. On the other hand, the franchisor has the obligation to assist the franchisee during his activity with knowledge, advertising, promotion and other needs if required (Kerkovic, 2010).

Advantages and Disadvantages of the Franchising

As referred, franchising is becoming more and more popular in the last decades mainly because it divides the risk between the franchisor (usually the original sponsor of the idea and the business plan) and the franchisee, so this kind of business is able to create synergies that can leverage the business. Salar & Salar (2014) used the SWOT analysis tool to analyze the main strengths (advantages), weaknesses (disadvantages), opportunities and threats regarding a franchising growing strategy.

The authors presented the following result for their study:

Strengths	**Weaknesses**
○ Brand Recognition ○ Lower Risks for Failure ○ Easy Setup ○ Ready Customer Portfolio ○ Easy to Find Financial Support	○ High Cost - Initial Cost - Ongoing Costs ○ Dependency ○ Strict Rules
Opportunities	**Threats**
○ Entrepreneurs have chance to become their own boss ○ It offers some market opportunities like discovery and exploitation	○ Continuing growth of existing franchised competitors ○ Other new franchise competitors entering market place ○ The decline of branding in market ○ The publication of New Business Models

Figure 7 - Franchising Strategy (SWOT Analysis) (Source: Salar & Salar (2014).

It was concluded that the main advantages are related with marketing/branding since more franchisees have more likelihood to hit the market and perform better than just the franchisor and, furthermore, the network as a whole can produce easily scale economies which allow them to increase sales, reduce costs and have access to credit easily. Besides this, the franchisee can accede to a successfully tested concept and to all the franchisor's know-how so he will be in a much more mature stage than if he launched his business from the beginning.

On the other side, there are some disadvantages that are important to consider, namely the high investment costs required to start the business and the dependence from the franchisor strategy and rules. For the franchisor the main concern is, indeed, sharing his know-how and insider information that the franchisee can use to create, for example, a competitor player.

So in order to overcome the disadvantages, the franchisor must create a robustness contract to prevent the concept and the know-how to be plagiarized. On the other hand, the franchisee must do a strong business plan which includes a deep analysis of the market, the strategy, the sales, costs and all the important variables to assess properly the viability of the business and to ensure if he goes ahead, at least, he will not lose money.

By balancing both advantages and disadvantages, the franchising strategy has clearly very strong points that are traduced by synergies in the network and it has the potential to be a win-win situation, however it has some risks that can be reduced by assuming a conservative attitude for both parties before proceeding.

3. Macroeconomic Environment and Market Analysis

3.1. Franchising in Portugal

As discussed in the literature review, the franchising model has great synergies for both parties (franchisor and franchisee). The Portuguese business sector also perceives this model as a beneficial growth strategy so in Portugal many firms use the franchising model.

There is an annual study that is carried out by the *Instituto de Informação em Franchsing* (IIF) and all the portuguese franchising networks are inquired in order to collect market data. This study is named "Franchising Census". According to it, in 2013 the market represented a sales turnover of 4,373 million euros which is about 2.6% of the Portuguese GDP. Besides the monetary importance, the market has high importance for the population being responsible for 59,700 jobs in the country (about 1.3% of employment).

Regarding the market itself, it has been growing not only in turnover but also in diversity of businesses, for example, in 2013 there were 41 new business in Portugal. It is worth to mention that in Portugal the majority of the franchising business are original from the country. Besides that, 46.5% of the franchising brands require an investment lower than 25,000 euros and 28.1% require an investment between 25,000 and 50,000 euros, which means that 74.7% require an investment lower than 50,000 euros.

About the dimension of the networks, it is important to mention that 34% of the businesses have 4 or less units, meanwhile just 8% have 50 or more units. Thus, 74% of the franchising brands have less than 19 units which represents a market extremely segmented by small networks.

Another important data is that almost every brand aims to expand all over the Portuguese territory.

3.2. Geriatrics Market

First of all, geriatrics is the science that studies and concerns about elderly people's wellbeing. It has been a topic more and more investigated since the Second World War because, after that, there is an upward trend of the seniors which is explained by the quantity of innovations since then that created much better healthcare conditions for the population in general. This phenomenon is aggravated specially in Europe, North America and Asia as we can see in the following graphic. However the Asian case is not so scary because the number of young people compensates the high number of seniors.

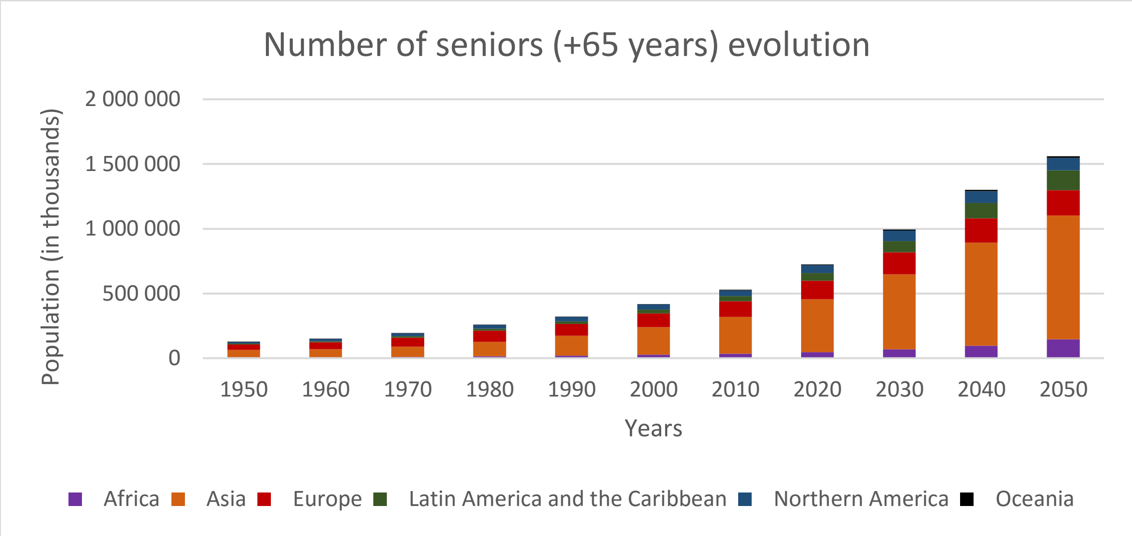


Figure 8 - Number of seniors (+65 years) evolution (Source: United Nations)

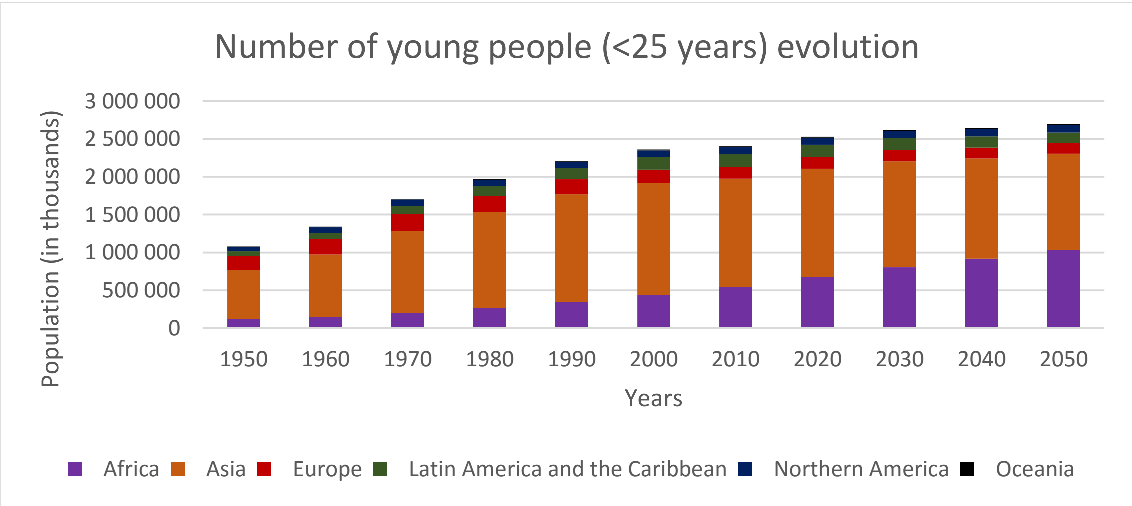


Figure 9 - Forecast of the number of young people in each continent (Source: United Nations)

As can be seen there is a drastic and aware increase in the number of elderly people. From a demographic point of view it will be unsustainable and it will affect dramatically the organization of the society. People will need to work longer and finally they can retire, they will look for maximizing their quality of life. In order to fulfill those needs, it will be necessary not only specialized products but also specialized services. Those needs are endless and the supply should be also endless.

It is important to explain that Government is a crucial stakeholder in the seniors' sector because its role in the economy also influences the particular demand for seniors' services and products. In Denmark for instance, the government ensures the home support services for almost every elderly. In Portugal the situation is quite different, the portuguese Social Security is facing major problems and it is reflected not only in the low pensions but also in the social policy applied, which is extremely weak. Furthermore, the government has high fiscal and bureaucratic burden especially in this sector. The main impacts from this governmental policy is an extreme mismatch between demand and supply. The people need products and services, but the tax rates are so high and the pensions are so low that the majority of the people can not have access to the most suitable services for them. A strong impact of this is the increasing number of illegal nursing homes.

3.3 PESTEL Analysis

Political

The political environment in Portugal has been somewhat unstable in the last few years. First of all the Government political party changed almost in every election in the last 15 years. The Government is split and alternated between PSD and PS. These political parties have different ideologies and they change policies according to their ideals. However, in 2011 the country had too much public debt and the Government at that time required international help in order to avoid bankruptcy. In exchange of financial rescue, and besides the return of the amount of the loan (78 thousand million euros) and interest, the international entities required politic and social reforms so that the country can grow in a sustainable way. Portugal, which had in 2009 and 2010 deficits of 9.8% and 11.2% of GDP[2] respectively, agreed with the International Monetary Fund, the European Central Bank and the European Commission (this team was designated "Troika") a set of measures in order to improve public finances and economic stimulation. The memorandum between portuguese main political parties and Troika was signed and the reforms were put in practice. The main goal was to reduce the deficit to 4.5% of the GDP in the next year and to 3% in 2012.

The economic measures agreed in the memorandum affected not only the economy and the society but also restricted the Government freedom in the next few years regardless of the political party that won the elections because the Government had to apply the memorandum measures.

There are just two different ways to reduce the deficit: (1) reduce public expenses or (2) increase public revenues. Both ways tend to have negative impact in the economy and in the society, but the agreed measures involved indeed these two paths. The main measures affected education, health national system and social security and it implied reducing Public Services' salaries, the pensions were also cut as well as subsidies readjusted (unemployment subsidy for instance was reduced). Regarding fiscal policy, the taxes increased for companies and citizens. The major impact was VAT that got the classes of some products readjusted (for instance, VAT increased for the catering industry).

[2] Source: Pordata.pt

Economic

As referred in the previous point, the commitment that the Portuguese Government has with international entities (Troika) is traduced in austerity measures. Mainly due to those measures, the economy contracted and the generalized scenario is commonly described of crisis. The following graphic shows the evolution of the GDP in Portugal in the last years.

Figure 10 - Portuguese GDP until 2014 (Source: Pordata.pt)

So as can be stated, the economy has been constantly skidding since 2008. The GDP decrease is seriously correlated with other economic variables: unemployment and purchasing power. In the last years, the unemployment rate has increased significantly, especially the young unemployment. The purchasing power decreased, due to salaries cuts, unemployment, and tax burden increase so people tend to save their money or to spend it for basic necessities goods. Moreover, banks have low confidence levels what increases the difficulty to accede credit (for firms and families). Since 2008 the crisis affected drastically the housing market as well as the building sector. All the population and the different social classes, independently of age, have been affected. However, the seniors' sector is one of the most affected. The majority of the pensions are low and with the agreed measures they were cut even more, affecting their purchasing power.

Social

The Portuguese social characterization is one of the most relevant analysis of this project. The Portuguese population (living in Portuguese territory) increased in the last decades.

However, it seems judicious to say that it has reached its peak now. With the gap between birth rate and mortality rate, the trend is clearly a population decrease or, in an optimistic scenario, to remain more or less equal (rounding 10 millions of inhabitants). It is important to explain that due to the economic crisis, at this point, the country is not so attractive to emigrants as it was in the past (Germany for example is much more attractive right now). Thus, the balance between all headings that affect population variance is negative. To aggravate even more this scenario, the adult generation of 20-40 years is willing to emigrate and to go outside, especially high education people. Many of the people who leave the country are the best students that search better life conditions and best career opportunities. This phenomenon is commonly known as “brain drain”.

Another social-demographic variable important to analyze is population density. As can be seen in the figure 11, the Portuguese coast is much more populated rather than the interior. This is explained by the better conditions in the main Portuguese cities (like Lisbon, Porto and Coimbra). Besides job supplying, these cities tend to have also better education and health conditions. Regarding the interior of the country, it has a lower population density and the majority of these inhabitants are elderlies.

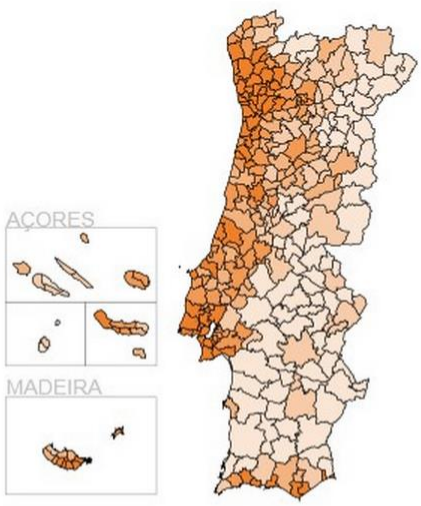


Figure 11 - Portuguese population density (Source: pordata.pt)

Technological

As it is known, in the last decades technology has grown quite a lot in almost every sector. The improvements can be traduced in the resources optimization which affects directly and indirectly the core business.

One of the most important areas to manage in the seniors' sector is value chain since there is a huge amount of products that are not possible to have always available in the stores (for example, one of the most required products is orthopedic shoes, it is impossible to have all the shoes' sizes of every model), thus the suppliers have an extremely relevant role on the time to market of the products. The logistic technology evolution along with globalization allowed the stores to manage their stock in a more efficient way.

Regarding store management, technology is evolving also in order to simplify processes. For instance, in 2012 it was decreed that any firm with sales turnover higher than 125,000€ or outgoing invoices over to 1,000 was obligated to have a certified invoicing software. To have this software working properly it normally requires the purchase of a Point-of-Sales (POS).

Finally, about the technology for the final consumer the evolution has been notable. Medical devices diversity and reliability are increasing almost every year so in the medical services the innovation is a constant. It is also important to say that products that are not medical but are also required by seniors is evolving as is the case of wheelchairs or beds in terms of functionalities and ergonomics.

Environmental

Environmental analysis is becoming a more and more popular theme due to the global concern about the planet sustainability. Each industry as a different footprint in the environment but the transversal point has to do with scarcity and resources management. In the elderly sector, the major worry is, as in the children sector, the usage of disposable diapers. Once again, the problem is in the amount of resources needed to produce diapers. Besides that, the gasoil used to transport stocks can have environmental impact if it is not carried and used in a sustainable way.

Legal

Regarding legal matters, general law is applied to all establishments and there are some specificities of the sector, especially in home support services. According to the law 33/14 of March 4th 2014 and the decree 38/2013 of January 30th, to provide this type of services it is required to have a technical director with academic background in the areas of Human and Social Sciences or Medical Sciences and also have technical helpers in order to ensure the quality of the service.

Besides the technical human resources above mentioned, it is required to have a licensed building and the plant should be approved by the municipal council. It is important to say that the building, must accomplish all the standards of hygiene, safety at work, accessibility for people with functional disabilities, *etc*. If the home support service also provides meals there is specific regulation for that, which is regularly inspected by ASAE. Laundry room requires also special conditions as is the case of a shower room.

3.4 Competitor's Analysis

The seniors' market presents several needs, the most profitable market niche is home support services and healthcare services, however elderly people also buy orthopedic products. This kind of products are usually sold by specialized stores or by pharmacies but there are not complete solutions in the market that offer both products and services. Regarding specialized equipment it is not possible to identify the competitors since the market is too much segmented and there are miles of small players that act almost individually.

Regarding the services provision, some of the players decided to use a franchising strategy to grow, other decided just to keep own stores. In order to analyze the current situation of these players in the portuguese market, a benchmarking regarding the main conditions of entrance will be done. It is important to say that this project aims to develop a growing strategy for the network so it will only be considered as competitors just the firms who work in a franchising model. Other firms despite being also considered as competitors are not in the scope of the project. At this point, there are seven franchising networks of home support services, mainly dedicated to elderly persons. These companies are ACG, Comfort Keepers, Habicuidados, Betterlife, Serhogar System, Myhome and Sensil. These companies have different origins however the majority have portuguese origin and play just in the portuguese market.

Player	Origin	Year Foundation	Presence in the world	Business Areas	Opening requirements		Number of Stores	
					Min Store Size (m^2)	Inhabitants	Own Centers	Franchisee Centers[3]
ACG	Portugal	2005	Portugal	- Products Sales - Home Support Services - Healthcare Services - Equipment rent - Training	60-80	3000 (Over 65 years)	1	13
Comfort Keepers	USA	2007 (in Portugal)	Worldwide	- Home Support Services - Healthcare Services	40	75000	2	10
Habicuidados	Portugal	1997	Portugal	- Home Support Services - Healthcare Services	60	35000	1	3
Betterlife	Portugal	2007	Portugal	- Home Support Services	60	Not available	1	2
Serhogar system	Spain	2002	Portugal, Spain and Italy	- Home Support Services - Equipment Rent	50	75000	2	4
Myhome	Portugal	2015	Portugal	- Home Support Services - Healthcare Services - Training	50-60	Not available	1	3
Sensil	Portugal	2007	Portugal	- Home Support Services - Healthcare Services	45	Not available	1	3

Table 1 - Portuguese franchising seniors firms (Source: the author)

[3] In Portugal

Player	Required Investment				
	Entrance Rights	Royalties	Marketing fees	Contract Duration (years)	Total Initial Investment Estimation[4]
ACG	12 500 €	1,5% + 1,5% (network management)	20€/month in 2015	5	32 500 €
Comfort Keepers	26 500 €	6%	-	10	50 000 €
Habicuidados	10 000 €	4%	1%	5	35 000 €
Betterlife	15 000 €	4%	2%	5	25 000 €
Serhogar system	24 000 €	300€/month	150€ month	10	37 500 €
Myhome	20 000 €	6%	-	2	40 000 €
Sensil	12 500 €	5%	2%	10	25 000 €
Average	17 214 €	4,67%[5]	-	6,71	35 000 €

Table 2 - Portuguese franchising seniors firms: Fees and Investment Analysis (Source: the author)

[4] Estimated by each franchising network

[5] The average does not include the value of Serhogar System because its royalties are not in percentage.

Regarding the analysis between ACG and the other competitors it is worth to emphasize that ACG provides the most complete offer in the market. None of the other competitors offers directly geriatric products. Moreover, equipment rent (beds, wheelchairs, etc) and training are offered just by Serhogar and Myhome, respectively. The other competitors are focused on Home Support Services and Healthcare. These two services are the most demanded and profitable since typically they just depends on variable costs.

It is important to analyze dimension since the higher the network the higher synergies and the demand. The biggest player in franchising for elderly in Portugal is indeed ACG, however the second player is the international and worldwide known Comfort Keepers, which has 10 centers in Portugal, including one in *Madeira* and another one in Azores.

Concerning the entrance fees, royalties, marketing and advertising, the benchmarking revealed that ACG policy is to be clearly above the average, despite of being the first franchising player in Portugal in terms of open centers, the brand is positioned as a low-cost investment center.

4. Business Presentation

4.1. Business Opportunity

The business need arose from the necessity to take care of the founder's family member that required response after being debilitated from an illness. When that family member got ill, the family wanted to keep him close, however their time availability revealed to be a strong restriction and soon they realized that it would not be possible. Besides that, the family did not have the technical know-how to move ahead with the challenge.

And at this point, the family searched on the Portuguese market for a professional solution, but they comprehended once again that the market supply was not truly professional and the competent entities could not reply neither. For instance the simple purchase of a diaper can be really problematic because there are millions of types and references and it is very difficult to understand them and choose the most suitable option and there is no specialized supply to explain it all. When the issue is even more complex, like food supplements or skin care creams, the solutions of the market were almost inexistent.

So in order to offer a response to all these needs and market opportunity, ACG founders decided to contribute for seniors and people with special needs in an efficient and professional way.

4.2. Business Model

4.2.1. Uniqueness of the Concept

ACG is a seniors and people with special needs provider based in a multidisciplinary concept that cover five main areas: Social Area, Health, Partnerships, Home Support Services and Products.

Figure 12 - ACG Business Concept (Source: ACG)

The concept is also based on the premise that individuals have biopsychosocial needs, this is, biological, psychological and social. This premise is extremely important because, even though there are some punctual solutions for elderly people (as products), there is not a unique place where they can go and have provided this multidisciplinary response.

The following image describes the evolution of the network since 2015:

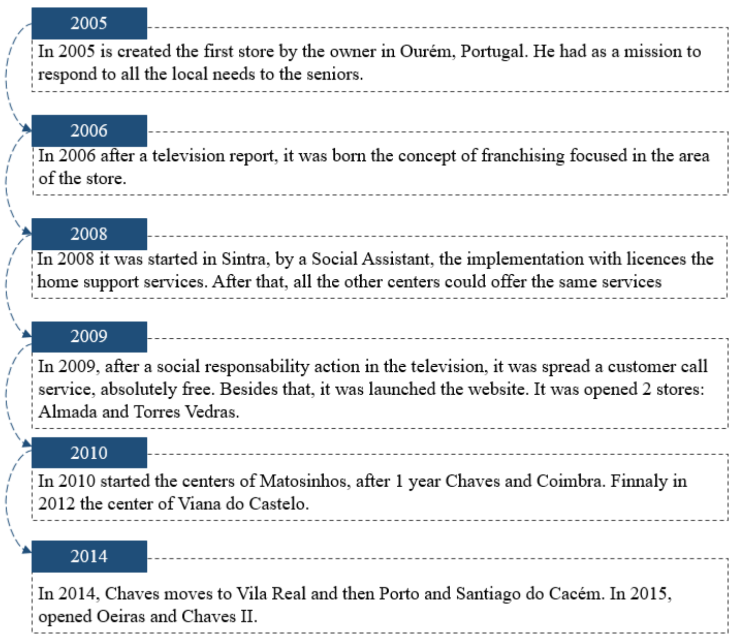


Figure 13 - ACG evolution since 2005 until 2015. (Source: the author)

4.2.2. Mission, Vision and Values

Mission – Promote seniors and people with special needs autonomy with the objective to ensure quality of life and a superior wellbeing.

ACG develop strategies that consider the needs, habits, interests and expectations of the clients, through an active participation of themselves and their families that contribute to an intergenerational relationship, respecting their life projects, privacy and individuality.

Vision – ACG aims to be perceived as a reference brand in the business sector, by making the products, services and training accessible to the largest number of people with special needs, being this their compromise with the society.

Products, efficient and trustful services together with training and information bring out a better life quality for seniors or people with special needs and to their families, providing an excellence that distinguishes ACG from the other competitors. ACG believes the excellence should be available to the entire population and, due to that, ACG's employees are encouraged to have continuous training and development with the objective to fulfill every person needs.

Values

<u>Human Life</u> – The main objective of ACG is the valorization of human lives because there is concern with clients' satisfaction and all the knowledge and skills are driven to all who intend to benefit from ACG products, services and training.

<u>Ethics and righteousness</u> – Ways are never shortened, ACG is specially aware for its responsibilities towards society, the environment, employees, suppliers, clients and other stakeholders from the network. All the relationships reveal high standards.

<u>Excellence</u> – is not considered as a final stage to be achieved, but actually as being built every day through knowledge, experimenting, ingenuity, honesty, differentiation and teamwork. It is necessary to constantly join efforts to identify urgent needs and requirements from the clients and apply all the means to fulfill those needs.

4.3. SWOT Analysis

In order to analyze internal strengths and weaknesses plus opportunities and threats, a SWOT analysis of ACG will be presented.

Strenghts

Network Dimension – In a franchising business, the whole network is worth more than the sum its parts. The network has, at this point, 14 centers which are many centers when compared with the other players, so a big network allows to create scale economies. It is easier to decrease costs by ordering higher quantities and also it is easier to manage stocks for the network. Regarding the increase in sales, it is done through notoriety increase, this is, the more the notoriety the higher the sales.

Multidisciplinary – The concept is multidisciplinary which means, as it was explained, that it includes different types of support. When the client has any kind of need, he goes to an ACG center and, then, he has everything he needs there without need for specialized equipment in one store, health support in another, home support in another, *etc*. This concept is also the differentiation of ACG when compared with the other competitors.

Weaknesses

Lack of Monitoring and Control – It was evinced in the interviews that the centers have plenty of freedom, this can be good since it simplifies processes and it is easier, more agile and gives quick responses to the market. However, this freedom gives space for distance between what the centers do in practice and the idea defended on the original concept – Multidisciplinary. In practice, though every store should provide all the services announced, not all are able to do it. For example, there are stores that do not have Home Support Services, although it is an extremely important part of the concept.

Low Marketing Activities – Marketing is extremely important for any activity which depends on sales and ACG is not an exception to that. When asked about their satisfaction on Marketing, the franchisees revealed to be disappointed with the low number of advertisements and campaigns.

Lack of continuous training – It was also identified in the interviews that continuous training is not developed which can create entropy and different visions between the members of the network, for instance, a member that entered in 2008 had a different training relatively to a member that entered in 2014.

Opportunities

Trend of seniors growing – It is unavoidable for the world that the population is getting more and more old, creating a big opportunity to innovate in this sector. It is important to take in account that people with 70 years old today are very different from those who were 70 years old 50 years ago, and both are very different from people with 70 years old, 20 years from now. Nowadays and with medical and technological advances people have better quality of life and live longer, so there is plenty of opportunities to create new initiatives for them.

Low responsiveness from nursing homes and public entities – There are a lot of nursing homes, however they are overloaded and do not have enough capacity to respond to all the demand. Public entities are also full and they have typically huge waiting lists for people to enter and to benefit from their services, it includes nursing homes but also home support services, for instance, the delivery of meals is also very required and public entities are not able to serve every senior with needs.

Threats

Saturated Market with small players – The market has already plenty of small players, normally each region has its own home support services and support to the seniors, so many times it is difficult to penetrate in a new zone, it requires time and investment in advertising.

Legislation – The law in Portugal, sometimes, can be slow and complicated. To have home support services, for example, it requires time and patience to have all the licenses. Moreover there are always audits from competent authorities to check if everything is being accomplished and, if not, the firms have to pay penalties and, in some cases, they have to close the doors.

4.3. Strategic Analysis

4.3.1. Strategic Diagnostic

The expansion strategy chose by ACG was the franchising model. The network has, at this point, 14 centers opened in Portuguese territory and activity in 13 different cities (2 centers are in the same city). The following table presents the existent centers:

Almada	Ourém
Castelo Branco	Porto
Chaves	Santiago do Cacém
Chaves II	Sintra
Coimbra	Torres Vedras
Matosinhos	Viana do Castelo
Oeiras	Vila Real

Table 3 - ACG Centers in Portugal 2015 (Source: ACG)

Questionnaire Analysis (Annex 2 and 3)

This questionnaire aimed to identify the perception and satisfaction of the franchisees regarding different matters of the franchisor and also from the network. The questionnaire had as potential number of answers 16 persons, including all the partners (some of the centers have more than 1 partner). It was possible to have 11 responses, which means a success rate of 70% of the network, so the answers are representative to take conclusions about the general satisfaction of the franchisees.

The first important issue to analyze, and in order to adapt and to tailor the franchising strategy, is the profile of the franchisee. As can be seen in the annex 2, normally, the franchisee has a bachelor, postgraduate or master degree, however there is not a pattern between fields of study.

The questionnaire also aimed to assess what is the importance, for the franchisee, of the support of the franchisor and, in the case of the ACG, in which situations they are satisfied or unsatisfied so that improving points can be identified. There were 5 main points that the franchisee presented to be satisfied: contract celebration, restrictions from the contract, mutual help between the elements of the network, freedom of action and the ability to listen from the franchisor. On the other hand, there were other points that the majority of the respondents (6 or more) evidenced to be dissatisfied or shortly satisfied: initial training and communication in general (advertising, campaigns, promotions, *etc*).

Both of the improving points presented were covered in the interview (annex 3) in order to get more detailed answers. Regarding the dissatisfaction about the initial training, it has to do with too much technical information that the franchisees considered not to be usable on the day-to-day. About the second point, first it is important to explain that the franchisee pay a fee to the franchisor for marketing (20€/month). This fee is decided annually and is decided by the network itself in the annual meeting. Despite this fee, the franchisee has plenty of freedom to manage communication as he prefers. Thus, the responsibility to manage communication is of the franchisor when the actions aim to divulge the brand and it is of the franchisee when the actions aim to divulge one center specifically.

4.3.2. Strategic Plan

One of the biggest advantages of the franchising model is the synergies created by the group and the group strength as whole. McDonald's is one of the most known franchising cases in the world and besides the power of the group it has a huge notoriety which increases brand value and sales turnover. ACG should develop a growing strategy to boost notoriety and turnover sales. In Portugal the geriatrics market is very segmented yet and there is also high concentration in the coast. This happens because firms have to optimize their resources and home support services for instance, are very unlikely to be profitable in zones where people are highly dispersed. In those regions, normally the Estate is responsible for ensuring the population wellbeing and healthcare and these kind of services are provided by governmental entities.

ACG provides a service that can be considered premium in the sense that it is not affordable for everyone, especially in a crisis moment as Portugal lives nowadays, and therefore it is necessary to have a medium/high purchasing power to afford ACG services. Due to this, and in order to define a growing strategy for the next 2 years, the population density for senior people (>65 years old) and also the purchasing power by each region will be assessed. The purchasing power considered is not tailored for seniors because, many times, the client is not the senior but his or her sons, so it is important to consider the global purchasing power.

Geographical scope	Designation	Population (>65 years)	Area (km^2)	Population density (>65/km^2)	Purchasing power
County	Amadora	37 610	24	1 567	106
County	Lisboa	141 734	100	1 417	217
County	Porto	57 676	41	1 407	162
County	Oeiras	37 929	46	825	194
County	Almada	36 831	70	526	110
County	Barreiro	18 364	36	510	100
County	Matosinhos	31 397	62	506	124
County	São João da Madeira	3 698	8	462	130
County	Cascais	39 381	97	406	132
County	Espinho	6 821	21	325	100
County	Entroncamento	3 712	14	265	110
County	Maia	20 504	83	247	112
County	Loures	40 269	167	241	102
County	Funchal	17 639	76	232	113
County	Sintra	58 262	319	183	101
County	Braga	25 670	183	140	104
County	Setúbal	23 442	230	102	107

Table 4 - Counties to invest in Portugal (Source: Pordata.pt; Modified by the author)

The table above represents the counties with a senior population density higher than 100/km^2 and purchasing power equal or higher than 100 units. A purchasing power of 100 represents the average of the country, so it is being considered a purchasing power equal or higher than the average of the country. The counties which are flagged with red are counties where ACG have already centers. In total, it were identified 17 counties with high potential to invest, however 5 of those counties are cut because ACG have already centers there. To conclude, there are 12 counties where ACG does not have activity and that have all the potential to be successful.

After defining where would be important to be, there are 2 different hypothesis: keep opening franchised centers, or change the strategy and open own centers. Both strategies have advantages and disadvantages, but the one that seems to be less risky is the maintenance of the strategy of keep going with franchised centers. However, the portuguese market has a lot of franchising opportunities, so it can be difficult to attract new entrepreneurs. On the other side, the strategy of opening new centers can have a bigger payoff for the ACG owner, but it requires a huge amount of effort.

The best strategy to grow the network is a mix between the 2 aforementioned. To reduce efforts, the owner should open own centers in the counties nearby from him which is, for instance, Entroncamento (which is near from Ourém) and to spread the business among the professionals with experience in Social Services. That can be done by participating in franchising events and technical events or conferences.

It is also important to refer that this market depends highly on word of mouth, not only sales depend on that but also the demand of potential franchisees that want to open new centers. With this in mind, another important component of the strategy to increase notoriety, brand value and interest is a bigger investment in Marketing. To be feasible, it would be required to review the amount of 20€/month *per* franchisee and increase that amount to do, for example, radio or television advertisement.

Finally it is important to mention that the franchisor is facing a problematic situation regarding his personal finances. As it was discussed in the PESTEL analysis chapter, the portuguese macro environment is heavy with high tax burden. For the entrepreneurs it represents a survival test since a "large slice" of the gains are retained by the government. The entrepreneur that owns the ACG is, at this point, indebted and with agreements to legal entities to amortize his debts in the next following years. However, the network has so much potential that investing in a growth strategy rather than in a cost reduction strategy can be much more fruitful, help him to overcome all the difficulties and build a success history.

5. Conclusions and Limitations

The elderly sector has a clear trend to increase in the next years and decades with people having different needs (physical, social, *etc.*) so it can be expected that the demand for specialized services will increase too.

ACG's original concept of multidisciplinary is the base of the business and also the differentiation factor from its competitors. The franchising model, as it was discussed in the literature review, has some drawbacks. In the case of the ACG network, it was realized that some centers present somewhat mismatch regarding the original concept, so, it is important to implement monitoring and control tools. Besides that, it was referred in the interviews and also the questionnaire that a central purchasing department could bring competitive advantages to the network. The objectives for ACG pass by increasing sales through expansion and reducing costs by improving synergies among the network. Regarding the expansion, as it was analyzed in Portugal there is plenty of space to grow, considering population density and purchasing power so the position in the portuguese market will be consolidated and only then the brand should expand the concept internationally.

Regarding limitations of the project and future developments, unfortunately it was not possible to interview all the partners and all the stores. It was possible just to interview 3 of them, so, some of the ideas retrieved from the interviews may not be representative of the thinking of the network. Nonetheless, the questionnaire rate of success was a good indicator of the perception and experience of the franchisees.

Besides that, due to deadlines to finish this project it was not possible to do sales forecasts and financial projections of cash-flows, what would be very interesting and would increase the robustness of the strategy presented.

In the future, it would be interesting to reanalyze the network and understand how efficiency can be improved between the stores. Moreover and about strategy, it would be interesting to do the drill-down of the presented strategy by concretizing it in small and more precise points, this is defining what to do in practice. It also could be interesting to explore the international development of the brand, for Spain for example. Due to the proximity and cultural similarities, it would be interesting to consider the Iberian market as whole and invest in the cities with higher density of seniors. In this case, maybe the need to open new own stores, especially abroad, would arise and it would increase the effort required from the entrepreneur who created the business but a high return is also expectable from an internationalization business strategy. Alternatively, a master franchisee can be chose in order to represent the brand on each country.

6. References

Dant, R. P., Grünhagen, M., & Windsperger, J. (2011). Franchising Research Frontiers for the Twenty-First Century. *Journal of Retailing*, *87*(3), 253–268.

Davidsson, P. (1989). *Continued entrepreneurship and small firm growth*. *Stockholm School of Economics*.

Hoffman, R. C., & Preble, J. F. (1991). Franchising: Selecting a strategy for rapid growth. *Long Range Planning*, *24*(4), 74–85.

Kerkovic, T. (2010). The Main Directions in Comparative Franchising Regulation – Unidroit Initiative and its Influence. *European Research Studies*, *XIII*(1).

Kirby, D. a. (2004). Entrepreneurship education: can business schools meet the challenge? *Education + Training*, *46*(8/9), 510–519.

Kourilsky, M. (1980). Predictors of Entrepreneurship in a Simulated Economy. *The Journal of Creative Behavior, 14*(3), 175–198.

McKinsey&Company. (2000). *How to write a business plan.*

Osterwalder, a, & Pigneur, Y. (2010). Business model generation: A handbook for visionaries, game changers, and challengers, 281.

Raposo, M., Paço, A. Do, & Ferreira, J. (2008). Entrepreneur's profile: a taxonomy of attribu tes and motivations of university students. *Journal of Small Business and Enterprise Development*, *15*(2), 405–418.

Robbins, S. (2005). Exit Strategies for Your Business. Retrieved August 16, 2015, from http://www.entrepreneur.com/article/78512

Sahlman, W. (1997). How To Write A Great Business Plan. *Harvard Business Review*, (4), 98–108.

Salar, M., & Salar, O. (2014). Determining Pros and Cons of Franchising by Using Swot Analysis. *Procedia - Social and Behavioral Sciences*, *122*, 515–519.

Scott, M., & Bruce, R. (1987). Five Stages of Growth Business in Small Business. *London Business School Journal*, *20*(3), 45–52.

7. Annexes

Annex 1 - Franchisee Questionnaire

Dear franchisee,

As part of a master's degree thesis of ISCTE-IUL and in order to strengthen the business of the network ACG, this present questionnaire serves to evaluate the perception and satisfaction of franchisees against the franchisor's performance. I ask you to answer all questions according to your perception and experience as a franchisee.

The answers are totally confidential and anonymous. Thank you for your time and collaboration.

Respondent's Description

Sex: [Masculine], [Feminine]

Age: [18-25], [25-30], [30-40], [40-50], [50-60], [>60]

Education: [9th grade or lower], [High School], [Degree], [Postgraduate study or Master's Degree], [PhD]

Field of studies: [Health], [Social and Behavioral Sciences], [Economics, Management and Accounting], Sciences, Social Services], [Other]

For how long do you belong to the network ACG?

<1 year	[1-3 years]	[3-6 years]	[>6 years]

Satisfaction Evaluation

Have you ever appealed, on your own initiative, to the franchisor's support?

Yes	No

If you said yes, in which situation?

Initial Support (Before the Centre's opening)
Business Maintenance Support (After the opening)

The following questions represent common situations where, typically, the franchisees appeal to the franchisor's support. For situations where you have requested support, evaluate your satisfaction with it. For other situations select the "not applicable" option (N.A).

Initial Support	**Dissatisfied**	**Shortly Satisfied**	**Satisfied**	**Very Satisfied**	**N.A.**
Contract Celebration					
Premises and Assumptions undertook by the franchisor					
Research performed by the franchisor (Market, Competition, Investment Estimate, etc.)					
Initial Training					
Advices and Support in general					
Recruitment and training to new employees					

General Functioning	**Dissatisfied**	**Shortly Satisfied**	**Satisfied**	**Very Satisfied**	**N.A.**
Participation of the franchisee in the network decisions					
Restrictions and obligations under the contract					
Freedom of action					
Mutual help between the network members					

Branding e Marketing	**Dissatisfied**	**Shortly Satisfied**	**Satisfied**	**Very Satisfied**	**N.A.**
Products Quality e Services offered					
Communication in general (Advertising, campaigns, promotions, etc.)					
Brand Impact (Notoriety)					

Franchisor's Role and Perfil	**Dissatisfied**	**Shortly Satisfied**	**Satisfied**	**Very Satisfied**	**N.A.**
Listening Capability					
Attention to the needs of its center					
Respect for its area and exclusivity					
Justice in assessing its performance					
Availability to help					
Justice in the requested royalties					

Other Situations	**Dissatisfied**	**Shortly Satisfied**	**Satisfied**	**Very Satisfied**

What do you consider the main strengths of the franchisor?

Simplicity	Listening Capability	Creativity
Availability	Contact Network	Dedication
Honesty	Technical Knowledge	Management Knowledge

Other: ____

Which are the main points of improving the franchisor?

Financial Support
Marketing Strategy
Operations in general
Network Management

Other: ____

What is your overall satisfaction with the franchisor in a 1-4 scale?

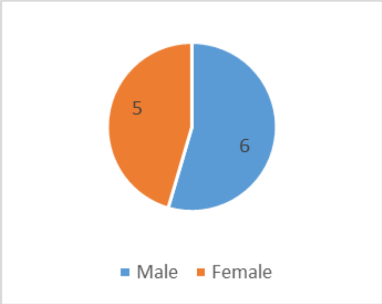
1- Dissatisfied	2 - Shortly Satisfied	3 - Satisfied	4 - Very Satisfied

What are your suggestions to consolidate a network in the future?

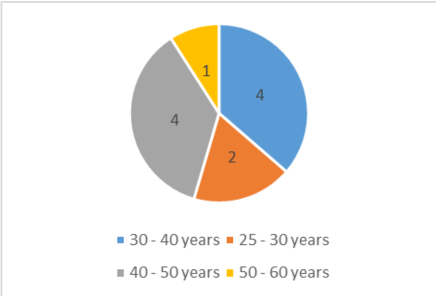
____

Annex 2 – Questionnaire results

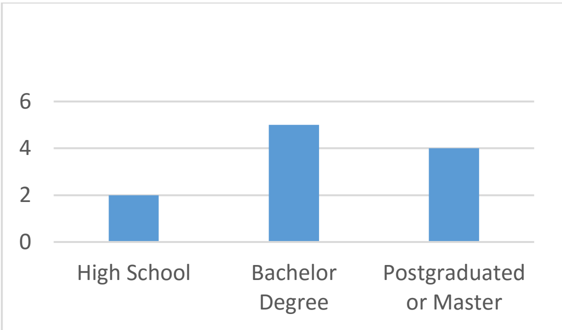
Gender



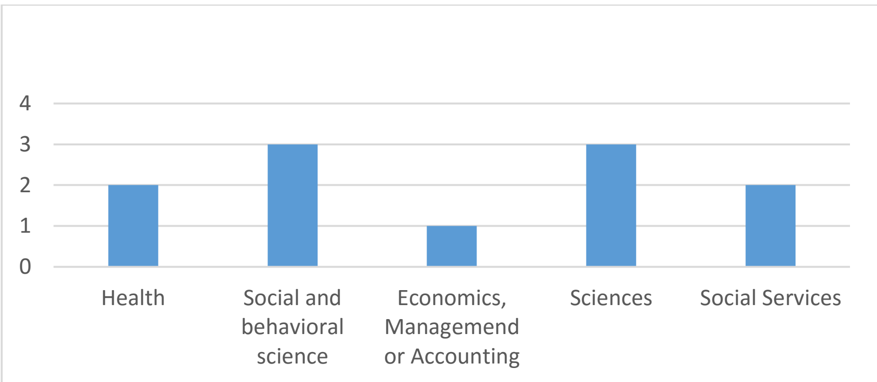
Age



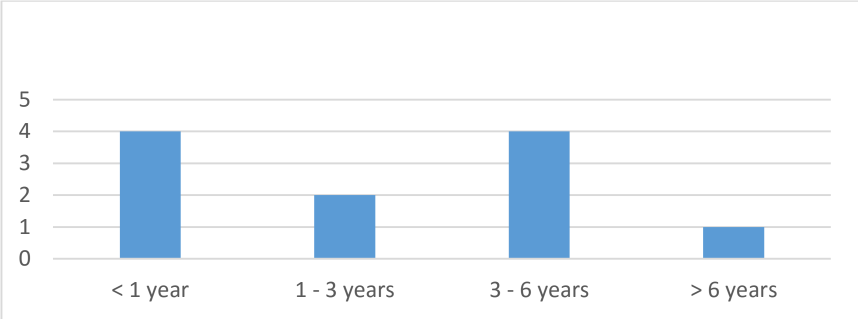
Education



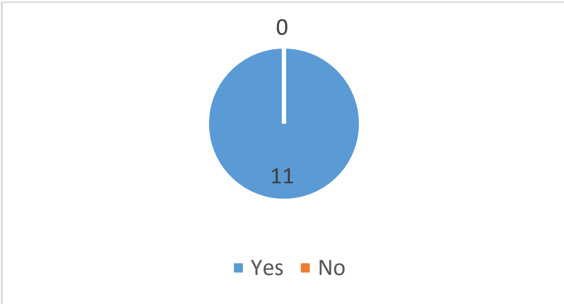
Field of Studies



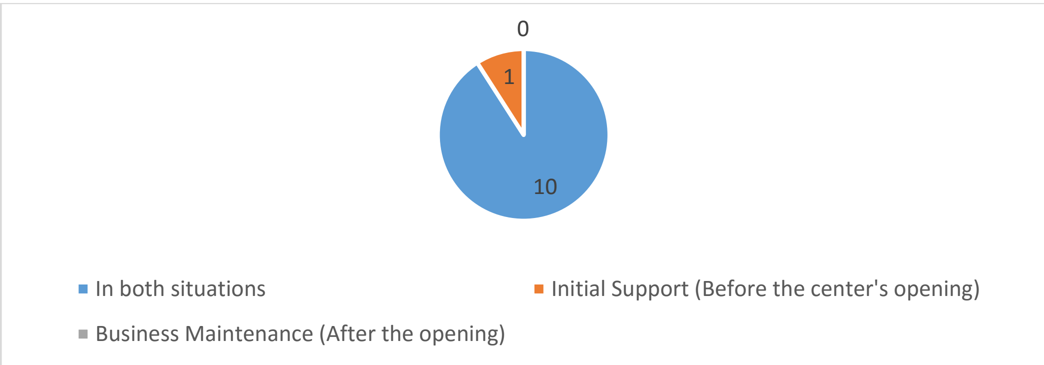
For how long do you belong to the network ACG?



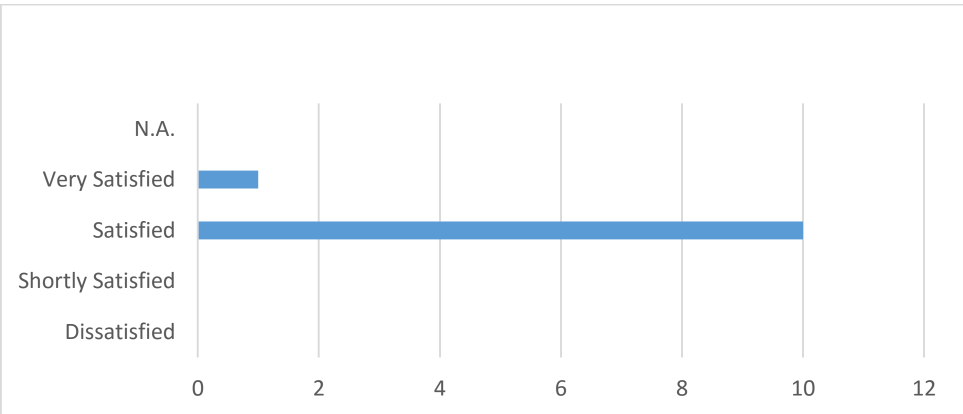
Have you ever appealed, on your own initiative, to the franchisor’s support?



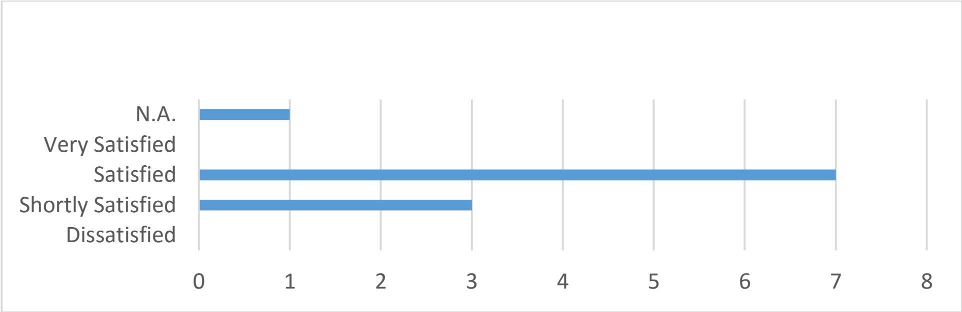
If you said yes, in which situation?



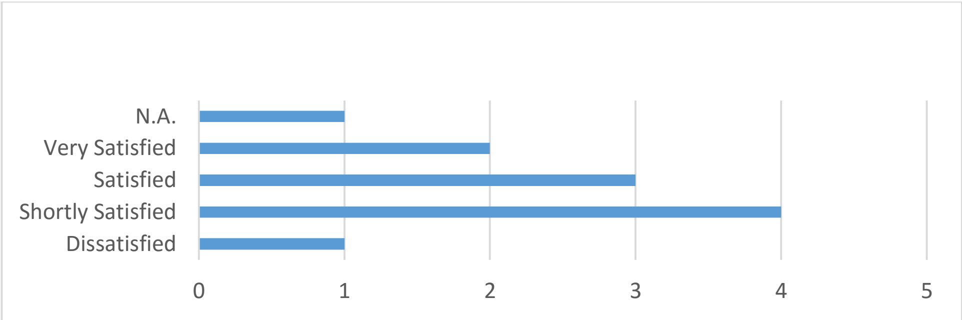
Initial Support [Contract Celebration]



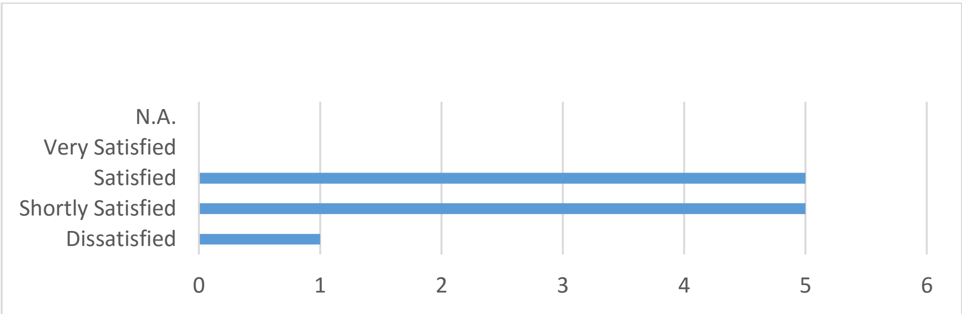
Initial Support [Premises and assumptions undertook by the franchisor]



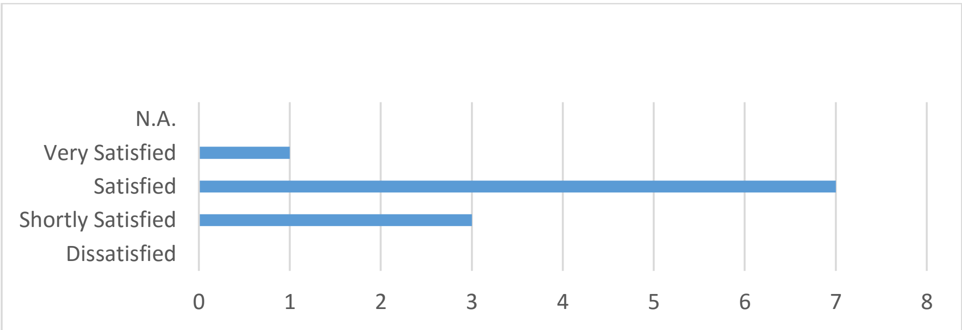
Initial Support [Research performed by the franchisor (Market, Competition, Investment Estimate, etc.)]



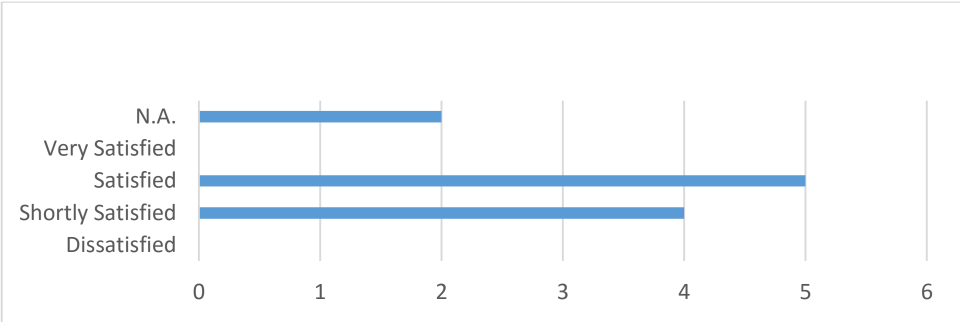
Initial Support [Initial Training]



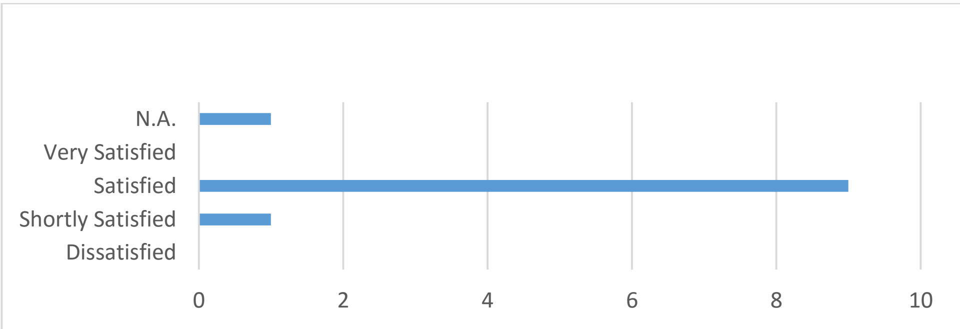
Initial Support [Advices and Support in general]



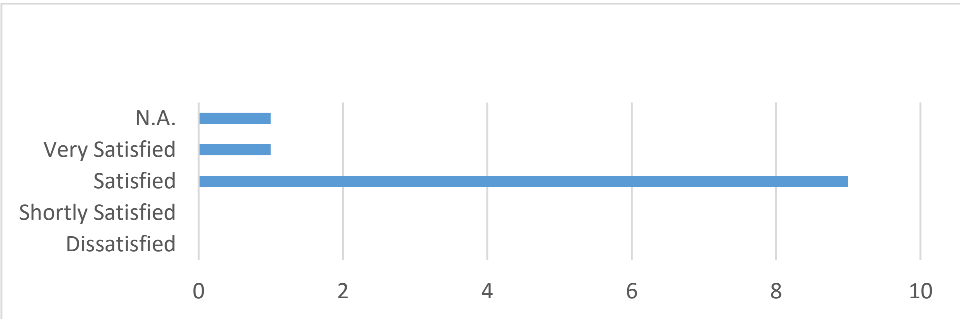
Initial Support [Recruitment and training to new employees]



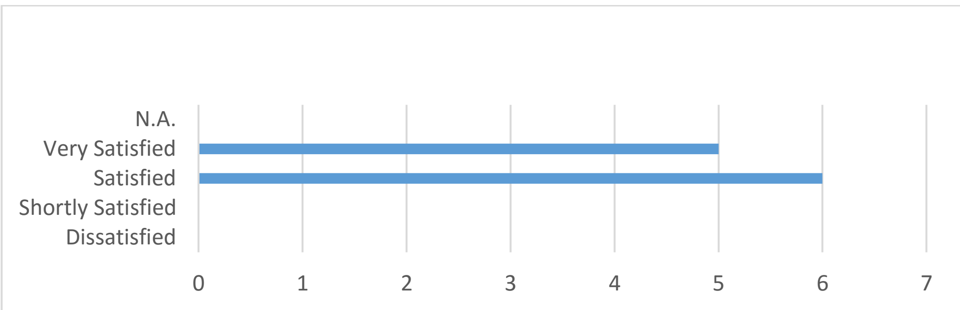
General Operation [Franchisee Participation in the decisions of the network]



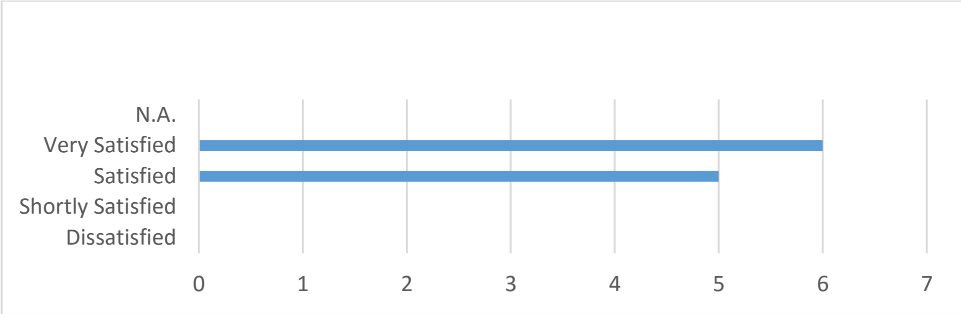
General Operation [Restrictions and obligations under the contract]



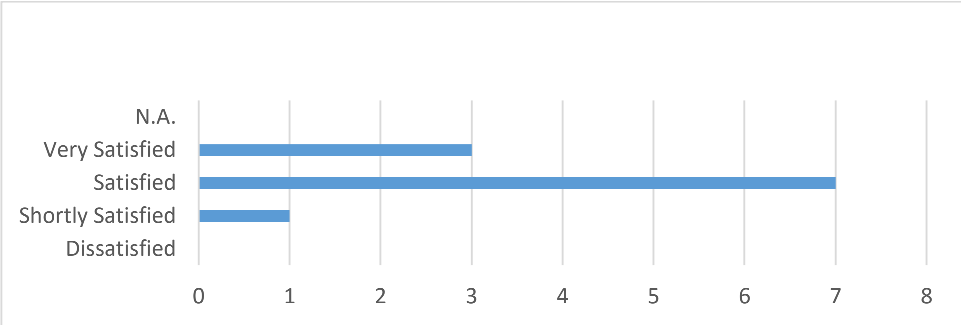
General Operation [Freedom of action]



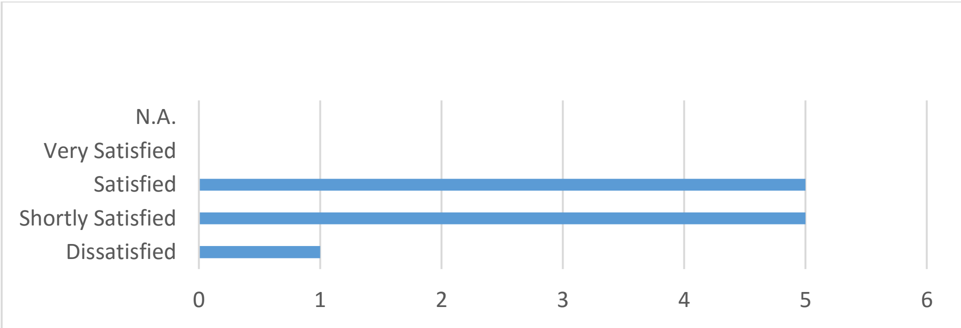
General Operation [Mutual help between the network members]



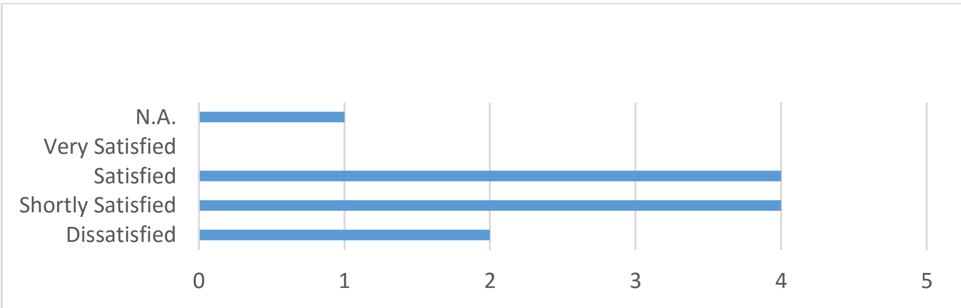
Branding and Marketing [Products Quality e Services offered]



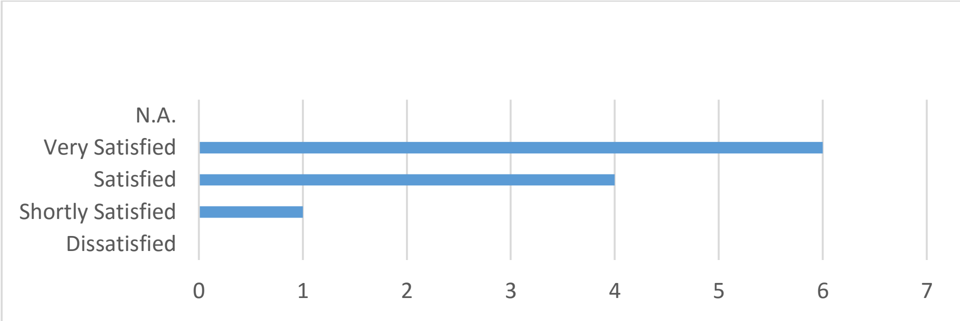
Branding e Marketing [Communication in general (Advertising, campaigns, promotions, etc.)]



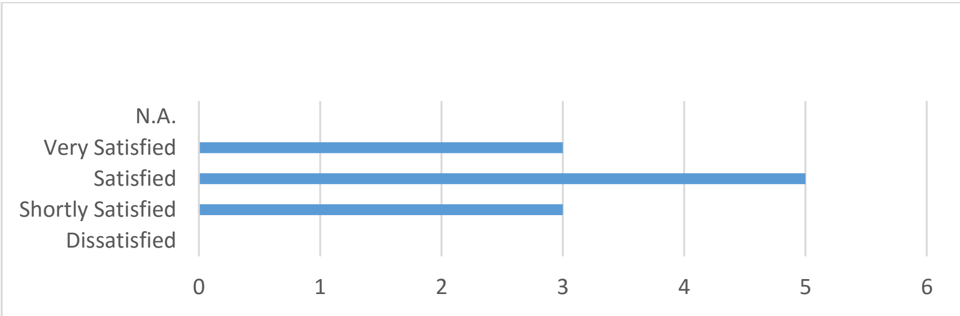
Branding e Marketing [Brand Impact (Notoriety)]



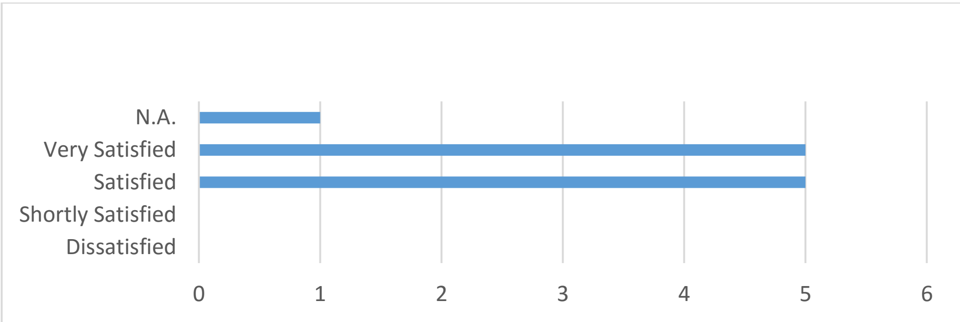
Role and profile of the franchisor [Ability to listen]



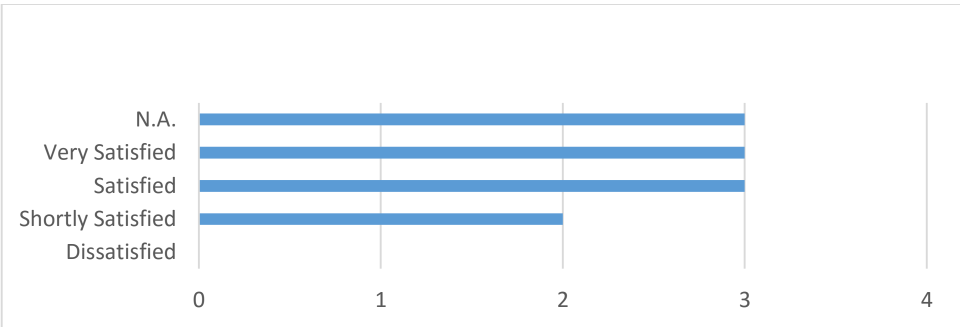
Role and profile of the franchisor [Attention to the needs of its center]



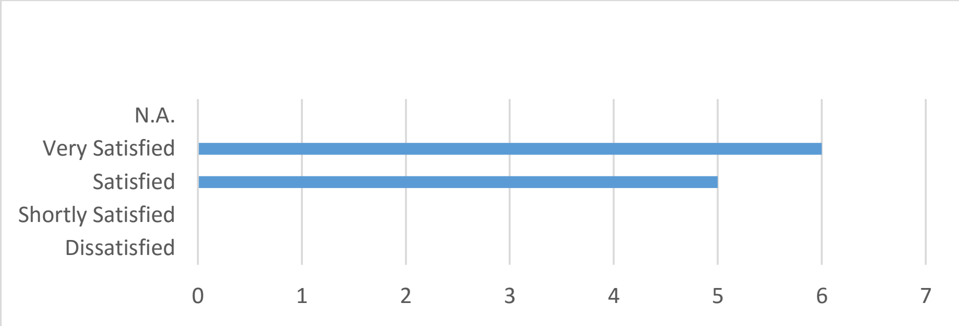
Role and profile of the franchisor [Respect for your area and exclusivity]



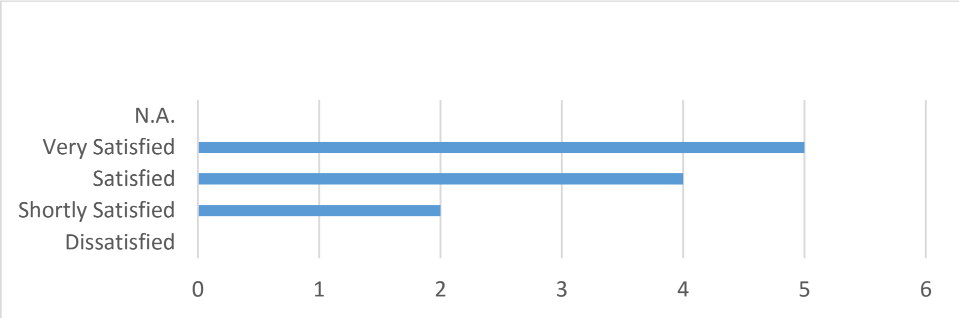
Role and profile of the franchisor [Fairness in assessing your performance]



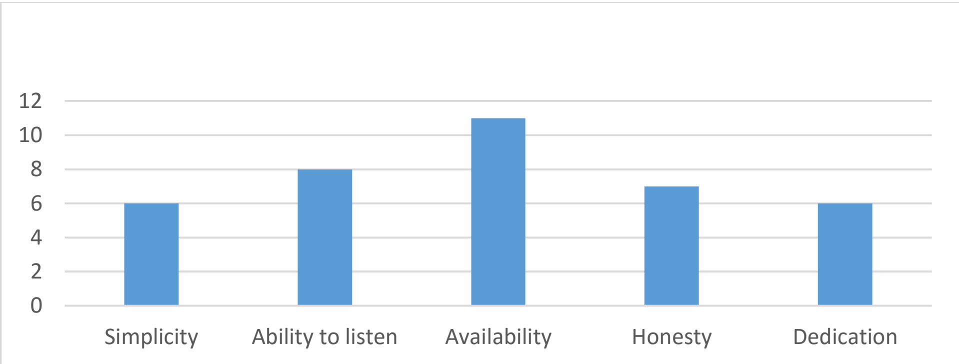
Role and profile of the franchisor [Availability to help]



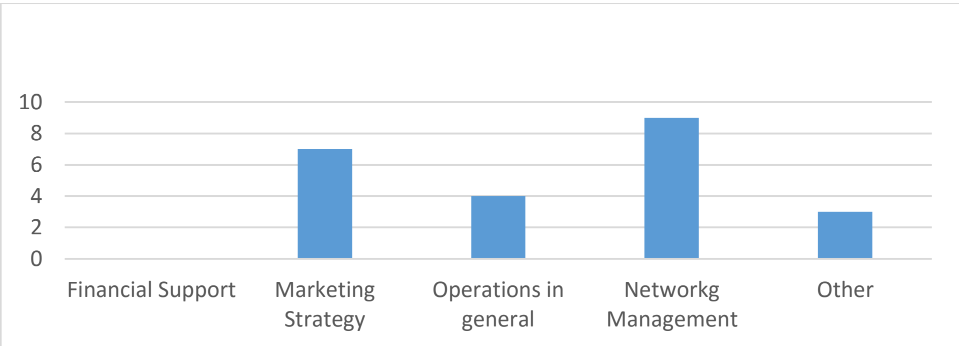
Role and profile of the franchisor [Justice in the requested royalties]



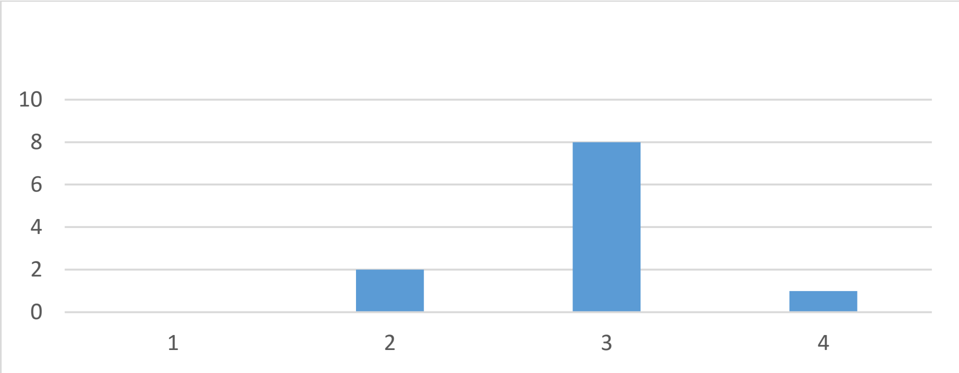
What do you consider the main strengths of the franchisor?



What are the main improving points the franchisor?



What is your overall satisfaction with the franchisor in 1-4 scale?



Annex 3 - Guidelines Interview to ACG

Franchisor's/Franchisee's Relationship

1. The relationship is living up to your expectations?

2. What do you think that could improve this relationship?

3. If you could choose a new Franchisor and a new business, would you choose the same ones?

Store's everyday life / Business

4. How do you describe your clients?

5. What do you think it takes your clients to opt ACG?

6. After the opening of the business, did you felt that the training was adequate to the needs?

7. Do you feel that there are factors that influence sales (Example: marketing action)? So far, what do you think had the biggest impact on sales?

8. The cost estimate was accurate or did you find unexpected costs?

9. Considering your present experience, what would have you done differently to reduce the initial costs?

10. Are you being able to achieve the expected profitability?

11. What do you consider the biggest challenges you're facing on your everyday life?

12. What do you consider the critical success factors for operating in this market?