Internet for Franchising: Current Use and Areas of Improvement—Results of an Empirical Research

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ABSTRACT. The Internet provides numerous business opportunities to brands approaching the market with vertical marketing systems. In franchising networks, the Internet offers the affiliating enterprise (franchisor) the possibility to approach the end user and the "community" of franchisees by providing services to both—information, relationships, and the possibility of online purchasing to the former, and information, training, sales, and procurement support to the latter. This article explores the impact of the Internet on franchising with the objective of discovering how franchisors use their Web sites. Results are presented from a preliminary study on a multisector and multinational sample of 305 franchisor Web sites, illustrating the content and features available online.[1] A further aim of the study is to evaluate the customer orientation adopted by franchisors in their Web sites and to compare online behaviors with other economic sectors analyzed, using the same methodology. The results of the study should help to significantly inform debate on this subject and serve as a starting point for future research on the impact of the internet on franchising growth strategies.

KEYWORDS. Franchising, distribution management, Internet, relationship marketing, empirical research

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INTRODUCTION

There are many researchers and business managers (e.g., Castells, 2003; Hoffman & Novak, 1996; Poon & Swatman, 1999; Porter, 2001) who believe in the "fertility" of the Internet, in terms of new business opportunities and improving company performance, through the fostering of closer, long-lasting relationships with customers. Such opportunities apply to both business-to-business and business-to-consumer relationships (Tapscott, 1998).

The question on which this article focuses involves understanding what the Internet can signify for franchising relationships. The World Wide Web can offer franchising a wealth of economic opportunities, potentially translating into products, distribution processes, and market innovations (Verhoest & Hawkins, 2001). There is nothing new in this thus far; these benefits are common to all economic areas. However, the presence of a brand on the Internet that approaches the market via vertical marketing systems, such as franchising, may differ in its capacity to approach both the end user and the "family" of franchisees by providing services to both.

The article discusses these elements by means of a review of the literature on Internet marketing and franchising and explores the impact that the Internet has on franchising with the objective of discovering how far franchisors have gone in making use of the Web to facilitate their dealings and relationships with customers, franchisees, and the general public. Results are presented from a survey on a multisector and multinational sample of 305 franchisor Web sites illustrating the content and features available online. A further aim of the article is to evaluate the customer orientation adopted by franchisors on their Web sites and to compare online behavior to other economic sectors analyzed using the same methodology. The results of the study broaden debate on this subject and contribute to expanding the literature and research related to Internet and franchising networks.

INTERNET DEVELOPMENT AND FRANCHISING: THE MAIN CURRENT AND POTENTIAL AREAS OF OPERATION

It is impossible to deny that we are currently living through a period of profound economic and social change. Everywhere in industry, small- to medium-sized manufacturing, sales and service enterprises, schools and universities, and interactive online information is changing the way we work, learn, live, and conduct business and private relationships. In the marketing business, communication—with the added plus of the interactive functions provided by Web applications—is gradually changing the relations among players in the corporate value chain (Porter, 2001), in the economic system and in the market (Costabile, 2001; Wayland & Cole, 1997).

There is, at present, relatively limited literature discussing in detail the use of the Internet by franchising firms. A large part of it is in the form of short articles in publications that are aimed at the franchising industry (e.g., Bugarsky, 2007; Cole & Feltenstein, 2006; Franson & De Smith, 2005; Plave & Dombeck, 1998) rather than academic research (Dixon & Quinn, 2004). This may be a reflection of the relative immaturity of the use of the Internet within franchising systems. However, like most businesses, many companies using franchising as their only distribution channel or in combination with more traditional systems, are discovering the value of the Internet as a source of plentiful opportunities (Kanellos, 1996) to support their business in a two-pronged sense: in terms of end users (consumers or users of the services provided) and in terms of distribution intermediaries (comprising the franchisee "community"; (Higginson, 2006). These two targets are equally important to the franchisor and nurturing both is a key factor to business success (Manaresi & Marcati, 1990).

We can summarize the areas of opportunity that the Internet currently provides to franchisors as

- a tool for communicating with the end user
- an e-commerce tool for promoting and selling products and services
- a tool for finding new franchisees
- a tool for communicating with the franchisor's network of franchisees and with suppliers
- a tool for conveying information and training that can be used alongside, or instead of, traditional methods

The first two opportunities represent the more traditional use of the Internet (Keeney, 1999), and they express the intent of a brand to include it in its communication and distribution systems. The Internet can also be used as a point of reference to manage loyalty programs in the way that many service providers are already doing (railways, telephone service providers, etc.; J. Young, 2006).

With reference to the second target—the franchisees—the Internet is a useful tool for seeking potential franchisees (Strenk, 2007), providing necessary information to candidates at reduced costs. By making comprehensive application forms available and in turn receiving franchisee application proposals promptly, franchisors are facilitated in their basic screening activities (Bugarsky, 2007; Fisher & Mullin, 2000; Martin, 1999). Once the franchise contract has been signed, a dedicated section of the site can provide a prompt and continuous link between franchisor and franchisee (Seideman, 1999).

The relationship and provision of services to the franchisee is, in fact, crucial to the success of the entire distribution chain (Capaldo, 1999).

> If we care about people and are personally concerned with the value of their lives, we must demonstrate that concern. People will do things they would never do merely for money. Capture the hearts of franchisees and employees, and you will clarify the dignity of the business mission. (Wilkerson, 2001, p. 30)

These words effectively sum up the significance of marketing within the franchisee network: The Internet can facilitate the difficult but fascinating task of satisfying and developing the sales force (Wilkerson, 2005) for greater

and more effective impact on end user satisfaction (Cole & Feltenstein, 2006; Wallace, Giese, & Johnson, 2004; Novak, Hoffman, & Yung, 2000).

We should also remember that training is a key element in the success of a franchise (Bigley, 2006). The main difficulties in providing training arise when network members are located some distance from the franchisor's base (Castrogiovanni & Justis, 1998). In such situations, e-learning provides a way to overcome these problems, and training can be provided not only to franchisees but also to all employees (Banhazl, 2002; Reynolds, 2002). In this sense, the Internet is a particularly effective tool as it allows updating training courses in real time (Franklin, 2005). Furthermore, training programs can be developed appropriately while offering an excellent opportunity to measure the effectiveness of the training itself.[2]

A user-friendly platform, moreover, makes it possible to gradually replace paper manuals. In the same way as excessively formal or out-of-date texts, often ignored by the sales force, are being replaced by easy-to-read and up-to-date texts. Training and the communication process not only affect the involvement of the sales force but also reduce staff turnover.

The Internet can also have a significant impact on individual franchisee activity as well as on the structure and efficacy of the information system supporting the distribution channels (point of sale performance, trends and best practices, among others; Scruton, 2007).

Concerning individual franchisee activities, it enables the single points of sale to operate more effectively and to extend their influence. Greater efficiency derives not only from the information provided by the franchisor but also from the creation of virtual communities, promoting closer collaboration between franchisees operating in different geographic areas through the exchange of experiences and useful advice to improve the

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[2]For example, Choice Hotels International launched a new Web site designed to educate non-traditional hoteliers and minority entrepreneurs on both the franchising sector and lodging industry and is part of the company's targeted efforts to expand and diversify its franchisee base.

way business is carried out and the focus on individual markets (Siebert, 2007).

The diverse models of the approaches to the Internet adopted by franchisor companies and considered in literature and in business are examined and discussed in the following section.

APPLICATION MODELS FOR THE DEFINITION OF A FRANCHISOR STRATEGY

To make the most of all the opportunities the Internet offers, franchisors must first define their objectives precisely to then decide which model of online presence to adopt in order to achieve the targets set.

For franchising networks, creating a shared image and coordinating e-commerce activities is more complex than for companies using other channels (Michael, 2002). The franchisor has to reconcile the need to safeguard distribution and brand policies and the relative communication strategies implemented by the entire distribution network with the desire for independence and the initiatives of the single owners of the points of sale (Fulop & Foward, 1997). In fact, franchisees may prefer to create their own Web site with e-commerce facilities. Generally speaking, franchising networks on the Internet tend to conform to one of the following four models (Plave & Amolsch, 2000):

1. *Free presence.* In this case, the franchisor allows the franchisees to develop their Web sites and domain names without any restrictions or operational rules whatsoever.
2. *Authorized and regulated presence.* Here the franchisor sees the franchisee's use of the Internet as a form of communication and, subject to their revision/approval, allows the franchisee to determine the structure and content of the Web site.
3. *Coordinated presence.* The franchisor creates the brand's Web site with an institutional section and further sections dedicated to the individual franchisees.
4. *Total prohibition.* Here the franchisor prohibits the franchisee from having any form of online presence.

Figure 1 demonstrates the aforementioned models ordered by franchisee level of autonomy. The first and last models are not very attractive for either the franchisor or the franchisee. The Total Prohibition model anachronistically forbids the presence of the individual franchisees on the net, whereas the Free Presence model carries all the risks of an uncoordinated image, low credibility, and lack of uniformity of the franchisor company.

The Authorized and Regulated Presence model is applicable when initially approaching the Internet, mainly because in this case the costs of creating, managing, and maintaining the Web site falls to the individual franchise outlet. However, although the critical issues relating to the image and use of the brand name do not apply in this case, there are still issues in terms of keeping information up to date and coordinating domain names.

The Coordinated Presence approach may involve a greater initial outlay for the franchisor but has none of the disadvantages and risks of the other models. It also allows a more collective response to changes required by the market or centrally decided by the franchisor. This is less expensive than the total costs incurred by

FIGURE 1. Four Different Ways for Franchising to be on the Internet

Level of autonomy of the franchisee

individual franchisees. However, costs depend on the franchise contracts, which may include a contribution to the costs incurred by the individual franchisee for creating and maintaining the Web site.

Although there is no doubt that franchise systems benefit from the same opportunities that the Internet holds for other businesses, the nature of the franchise contract may make the use of the Internet and electronic commerce more complex and problematic than for nonfranchised firms. It is clear that franchisors need to retain control over Web sites and their content, but they risk damaging their relationship with franchisees if they exclude them completely from any online business (Abell & Scott, 2000) and could even face legal action if violating franchise or competition laws.

RESEARCH METHOD

The main objective of the study is to understand the role that the Internet plays in franchising networks and to evaluate the type of approach adopted by franchisors in terms of customer orientation toward the end user and the "franchisee family." For this purpose, 305 franchisee[3] Web sites were selected using stratified random sampling. They were classified into 10 business sectors according to the basic Assofranchising[4] classification: specialist food, nonspecialized commerce, personal articles, household articles, other specialized commerce, services, hotels and restaurants, construction and maintenance, industry and on-line trading.[5]

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[3]The sample comprised franchisors operating in the following countries: France, Portugal, Spain, United Kigndom, Ireland, Italy, Austria, Germany, Holland, Switzerland, Hungary, Russia, Sweden, Greece, Canada, United States, Mexico, Argentina, Brazil, and Australia.

[4]Italian association of franchisors.

[5]The Web site addresses were selected from the following sites: www.infofranchising.it, www.franchiseeurope.com, www.franchise.org, www.franchiseemporium.com, www.franchise-now.com, www.franchisedirect.com, www.gonzales-franchise.com, www.franchising.com, www.entrepreneur.com, www.whichfranchise.org, www.whichfranchise.com,

A closed-response questionnaire[6] was used to evaluate each Web site. Questions, designed on the basis of the main theoretical contributions on Internet marketing were grouped together by theme for greater clarity: marketing mix tools (product, communication, price, and distribution), methods of online communication and interaction with customers and franchisees, structural and stylistic features of the sites, information function with regards to both targets, and a detailed analysis of the e-commerce functions. Table 1 shows the issues examined. The survey was carried out from July to September 2006.

In the second part of the analysis, the valences inherent to every item of the research were translated into customer orientation "carriers." To achieve this goal, a data-pondering system was examined that allowed first to gather the observed themes into homogeneous categories and second to value the single operative ambits with comparable evaluation scales.

Using the aforementioned pondering system, seven macro groups were identified:

- *The information function,* covering information regarding the franchisor company and other data, in addition to the different degrees of usefulness.
- *The structure*, a section hosting the opinions of surfers on the particularities of the Internet and navigation ease and attractiveness.
- *The product, communication, price and distribution,* including an evaluation of the adaptation of the business model to virtual multichannel operations.
- *The relationship*, focusing on the utilization of the web for the construction of one-to-one relationships with customers.

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www.franchisewire.org, www.jetset.it, www.franchiseverband.ch, www.franchise1.com, and www.assofrachising.it.

[6]In most cases analyzed the answers had a yes-or-no structure; only in some cases was it necessary to have more in-depth information by providing multiple-choice answers. The questionnaire, in undertaking an in-depth exploration of the topic, comprised approximately 160 questions.

TABLE 1. Thematic Table of the Study

Franchisor presentation and Web site features	Availability of information on the franchisor and franchising methods
	Structural and stylistic characteristics of the Web sites
	Navigability of the Web sites
Product	Segmentation and product/services availability
	Possibility of customizing products/services to end users
	Possibility of customizing products/services to the franchisees
Communication	Use of online advertising
	Use of online promotions
	Customer participation in online promotions
	Franchisee participation in online promotions
	Partnerships with other organizations for communication and promotions
	Availability of information on the brand
Pricing	Availability of information on prices
	Possibility of customizing prices to customers or groups of customers
	Types of payment available
Distribution	Availability of information about the single franchisee
	Possibility of on-line ordering
	Possibility of on-line payments
	Real time order processing
	On-line product distribution
Customer relations	Availability and provision of customized services
	Availability of customer service
	Provision of online customer communications
	Creation of discussion forum communities

All items surveyed in the questionnaire were divided into these macrogroups and a weight was attributed to each. For each macrogroup the sum of the scores allocated to individual items was 100.

The methodology adopted to carry out this study was based on an evaluation model that was framed and tested for the analysis of other business sectors such as the financial, railway, postal, and industrial sectors (Cedrola, 2002a, 2002b, 2003, 2004), thereby allowing us, at the end of the analysis, to compare the results obtained in the different sectors.

FINDINGS ON CUSTOMER ORIENTATION OF FRANCHISORS' WEB SITES

The Franchisor–End User Relationship

The first section of the study concerned the *franchisors' presentation* (activity, addresses, number of outlets, etc.) and the appearance and structure of their Web sites. The aim was to understand how, to what extent, and at what level of detail companies use the Internet to circulate in-formation about themselves and their activities. The analysis of the results showed that 89% of franchise companies had a section dedicated to the history or the presentation of the company, even if in a very synthetic form. This section contained information about the company history, mission, and values in 77% of the cases, and information about the sales network and geographical location in 74% of Web sites. Far less space was dedicated to information about new openings, press releases, social initiatives, or the company's financial results. This is a clear indication that greater attention is paid to end users.

The questionnaire also included some questions relating to the *structure*—the type of graphics and pictures used—considered important, particularly in a remote relationship, in providing the service with credibility and a sense of reality. Surprisingly, only 33% of franchisors used fixed pictures and photographs and even fewer used icons (14.1%) and scrolling text (12.5%). The personal care, construction, and industry sectors used pictures and photographs the most, although the percentages oscillated only between 40 and 43%.

Moving on to elements strictly relating to on-line communication, the analysis revealed a positive situation, with a navigation bar in 70.5% of sites, menus (83.6%), easily recognizable links to the home page (87.2%) and current page markers to ensure the user does not get too disorientated when exploring the site (69.2%). Maps and search engines were much less used, with percentages varying from 32 to 38%.

The study also aimed to find out how and to what extent the selected franchisors' Web sites use the Internet to promote awareness of their own *products*, and in particular how they exploit the tool to segment the market and customize their product offering.[7] The study highlighted that 36.7% of the Web sites analyzed opted for online market segmentation, using various approaches clearly consistent with the product and business type. The segmentation most commonly applied by the selected franchisors was *geographical* (24.6%). As well as depending on the type of business, the choice of this approach was linked to the franchising network. The variety of the reference market was mainly administered by companies in the service, specialist sales, and hotel and catering sectors. Geographical variety was essentially managed by country segmentation (18%), followed by regional distinction (11.5%) and macro areas (3.3%).

In terms of customer "differentiation and identification," only 26.9% of the sample used information collected to customize their offering. The sectors most interested were construction and maintenance (45%), service (37%), and household articles (25%). A brief summary of the information is illustrated in Table 2 demonstrating that although online product differentiation provides an excellent opportunity to gain competitive advantage, the Web sites of the analyzed franchisors generally used the Internet in a more traditional way, that is to say, as a simple

communication tool or as part of the communication mix.

In fact, 80% of the franchisors analyzed used the Internet mainly to provide information on the range of products and services offered: 71.1% allowed the viewer to see pages of brochures and to download pictures and information about the products and services, 13.4% allowed requests to receive printed catalogues at home, 13.8% showed previews of products from forthcoming collections or new services, and 6.9% provided information on the company's products over time.

In the section relating to *communication*, we aimed to identify how many Web sites carried online advertising communication. Exploiting the tool's expressive potential means knowing how to promote brands, products and the Web site adequately, including the use of online advertising (Kolton, 2007; Zeff & Aronson, 1999).

We found that only 44.3% of the sample advertised own products online using banners, pop-ups, or specific online ads. Advertising mainly regarded new products (22.6%), products being promoted (19.7%), and the brand or some of the products and services provided (13.1%).

The most commonly used methods were interactive banners (28.9%), followed by static banners (22.3%), and lastly pop-ups (4.9%). In terms of traffic generation, we found that only 19% of the sample had banners or links to partner sites. The main sectors with a 'network of links' were industry (50%), service (22.2%), and hotels and catering (19%). It is clear that the majority of the Web sites analyzed had not fully considered the potential of links and banners, most likely because they feared that by providing potential customers with a way out they would be encouraged to abandon the Web site.

Our study also aimed to find out whether advertising messages were customized to users (Olson, 2005). None of the Web sites analyzed contained this option.

In terms of *sales promotion*, only 19% of the sample Web sites carried promotional campaigns. All promotions launched involved direct discounts of franchisors' products and/or services (13.4%). The various discount methods included discounts on the product of the month (6.6%), volume discounts (3.9%), and

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[7]We intend the possibility of differentiating the products and services offered by one-to-one production where possible, but also mass customization—modifying single components, accessories, or anything else that might allow the company to satisfy the needs of individuals or specific customer clusters in the best possible way.

TABLE 2. Customer Segmentation and Product/Service Offering Customization

	Sample Average	Specialist Food Sales	Nonspecialist Commerce	Personal Articles	Household Articles	Other Specialist Commerce	Services	Hotels & Catering	Construction & Maintenance	Industry
Online product information	80.0%	77.4%	33.3%	86.5%	93.8%	70.9%	77.8%	91.9%	90.9%	100.0%
Web site target segmentation	36.7%	35.5%	66.7%	32.4%	25.0%	43.6%	35.2%	43.2%	36.4%	25.0%
On a geographic level	24.6%	29.0%	33.3%	16.2%	31.3%	25.5%	21.3%	29.7%	27.3%	25.0%
Segmentation by country	18.0%	29.0%	0.0%	16.2%	25.0%	20.0%	12.0%	21.6%	18.2%	25.0%
Segmentation by region	11.5%	16.1%	0.0%	5.4%	18.8%	9.1%	13.0%	8.1%	9.1%	0.0%
N-C-S segmentation	3.3%	9.7%	33.3%	2.7%	6.3%	0.0%	3.7%	5.4%	0.0%	0.0%
Other	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.6%	10.8%	0.0%	0.0%
According to target of	20.0%	19.4%	33.3%	16.2%	0.0%	30.9%	18.5%	27.0%	9.1%	0.0%
Customers with/without login/password	14.1%	9.7%	0.0%	8.1%	0.0%	23.6%	14.8%	16.2%	9.1%	0.0%
Customers with/without loyalty card	5.6%	6.5%	0.0%	5.4%	0.0%	7.3%	2.8%	16.2%	0.0%	0.0%
Other	5.2%	6.5%	0.0%	2.7%	0.0%	1.8%	5.6%	16.2%	0.0%	0.0%
Possibility of customizing product to end user	26.9%	16.1%	0.0%	21.6%	25.0%	20.0%	37.0%	18.9%	45.5%	25.0%

online purchases (4.9%) on Web sites offering online sales. The discounts could be used in the form of discount vouchers to be selected and printed for offline use at the franchisees' point of sale (4.3%) or online on the franchisor's Web site (8.5%). Only 0.3% of Web sites used text messaging to inform their customers about promotional initiatives following customer online registration for such information.

The Web sites carrying online promotions offered "indiscriminate discounts" with the same benefits available to all visitors. However, some hotel and catering (8%) and specialist food (6.5%) Web sites opted for differentiated promotion, implementing customized initiatives for individual customers and clusters of customers (Zhang & Krishnamurthi, 2004). Finally, only 1.0% of Web sites analyzed allowed customers to select discount vouchers of their own choice within the various opportunities (e.g., Sawhney & Kotler, 2001).

A Web site is first and foremost a "relational" platform, permitting dialogue with the customers at numerous points of contact (Armstrong & Hagel, 1996; Prandelli & Verona, 2002; Whindam, 2002). The intention of the study was to discover the *relational forms* and tools made available to customers. The data are presented in Table 3. The principal feedback tool employed was e-mail, present on 83.61% of sites. Its widespread use is because of its efficiency, reducing costs in terms of customer assistance time and effectiveness, given that each customer can be identified and thereafter provided with customized responses.

A Web site can also constitute a new *sales channel* (Ancarani, 2002; Lugli & Pellegrini, 2002) as an alternative to, and in synergy with, the franchisee's network. Of the total sample, 67.9% provided information only on the physical network as the only reference channel for purchases, giving detailed information on the franchisees, in this case, contacts (60.7%), type of services offered (22%), and assortment (11.5%). In 10.2% of cases, however, the franchisor directed contacts to the franchisees' sites for online purchases. This organizational method was primarily adopted by the hotel/restaurant sector (24%), specialist food retailers (19.4%), and household articles sector (12.5%), perhaps be-

cause of the need to respond differently to the micromarkets of reference.

In 21% of cases, the franchisor itself centralized and managed this activity directly to maintain quality and rationalize costs and logistics. The specialist food retailers (29%), hotels/restaurants and personal care sector (27%), services (29.7%), and household articles (25%) adopted this approach.

As to the *pricing policy*, we found that 41% of the sample provided clear information on the prices of their products and services. Generally, prices were available for all the products/services supplied (28.5%). Partial information was provided in certain cases: 5.6% gave the price of products on promotion only, 4.3% gave the price of new products, and 1.3% on end-of-range products.

The Franchisor–Franchisee Relationship

The opportunities offered by the Internet with regards to the franchisor–franchisee relationship are considerable (Bourdow, 2006). The function for informing potential franchisees is shown in Table 4: 66% of the Web sites contained information on the initial investment, sales outlets, training, entry rights, duration of the contract, and other data.

All sectors placed emphasis on this section with the exception of construction and maintenance and industry. Information was also provided on the requirements of franchisees (50.5%) and the methods of interaction with the franchisor (87.2%). For the latter aspect, the most commonly used methods of communication were phone and fax (71.5%), followed by e-mail (54.4%) and ordinary mail to the company address (53.4%). Tools like forums and chat rooms, free phone calls, and text messages were seldom used.

The Internet marketing mix for the franchisee segment was subsequently analyzed. Attention was primarily focused on product presentation, in spite of the fact that in 60% of cases it concerned the B2C section. The sole exception was the industrial sector where 75% of sites contained details on specific products for operators with an area for downloading detailed information and technical descriptions.

TABLE 3. Franchisor–Customer Relation Tools

Franchisor–customer relation tools	Sample Average	Specialist Food Sales	Nonspecialist Commerce	Personal Articles	Household Articles	Other Specialist Commerce	Services	Hotels & Catering	Construction & Maintenance	Industry
	92.13%	90.3%	0.0%	89.2%	93.8%	96.4%	93.5%	94.6%	81.8%	100.0%
E-mail	83.61%	80.6%	0.0%	86.5%	75.0%	83.6%	85.2%	83.8%	90.9%	100.0%
Pay telephone	75.74%	80.6%	0.0%	75.7%	56.3%	74.5%	80.6%	73.0%	72.7%	100.0%
Address	56.39%	67.7%	0.0%	56.8%	62.5%	49.1%	62.0%	51.4%	45.5%	25.0%
Fax	56.07%	61.3%	0.0%	59.5%	62.5%	45.5%	63.0%	45.9%	54.5%	75.0%
Freephone	21.97%	16.1%	0.0%	8.1%	18.8%	18.2%	30.6%	13.5%	45.5%	0.0%
Chat	2.62%	3.2%	0.0%	5.4%	0.0%	1.8%	2.8%	2.7%	0.0%	0.0%
SMS	1.64%	3.2%	0.0%	2.7%	0.0%	0.0%	1.9%	2.7%	0.0%	0.0%

TABLE 4. Contents of the Information Area for Potential Franchisees

|	Sample Average	Specialist Food Sales	Nonspecialist Commerce	Personal Articles	Household Articles	Other Specialist Commerce	Services	Hotels & Catering	Construction & Maintenance	Industry
Presence of information areas on how to join	66.6%	71.0%	66.7%	73.0%	68.8%	70.9%	63.0%	73.0%	27.3%	25.0%
Initial investment required	43.9%	51.6%	33.3%	43.2%	37.5%	49.1%	36.1%	59.5%	18.2%	25.0%
Average area of sales outlet	28.2%	38.7%	0.0%	43.2%	37.5%	21.8%	24.1%	35.1%	0.0%	0.0%
Optimal location	28.2%	38.7%	0.0%	48.6%	31.3%	21.8%	20.4%	45.9%	9.1%	0.0%
Catchment area	21.0%	12.9%	66.7%	35.1%	25.0%	25.5%	16.7%	29.7%	0.0%	0.0%
Staff required	21.6%	25.8%	33.3%	24.3%	31.3%	29.1%	17.6%	16.2%	0.0%	0.0%
Average annual turnover (business plan)	16.1%	22.6%	33.3%	16.2%	12.5%	10.9%	13.9%	27.0%	9.1%	0.0%
Duration of contract	21.3%	29.0%	33.3%	35.1%	12.5%	20.0%	13.9%	29.7%	9.1%	0.0%
Initial education and training	43.3%	45.2%	66.7%	48.6%	37.5%	41.8%	43.5%	51.4%	18.2%	0.0%
Entry right	24.3%	35.5%	66.7%	37.8%	12.5%	20.0%	17.6%	29.7%	9.1%	0.0%
Periodic fees	29.8%	35.5%	0.0%	21.6%	12.5%	32.7%	27.8%	40.5%	18.2%	25.0%
Contribution for advertising	23.0%	32.3%	33.3%	29.7%	12.5%	21.8%	18.5%	32.4%	0.0%	0.0%

As far as the other Internet marketing mix levers are concerned, they were found to be totally unutilized: 18% of sections dedicated to franchisees made use of online advertising, but promotions were almost completely ignored, both online and offline. The same situation applied in the case of online pricing (11.5%) and the distribution lever (2.9% presence in e-commerce).

The space dedicated to education was also limited with a presence of 2.3% for online manuals and utilization of Web conferences amounted to 0.66%. FAQ areas were found in 19% of Web sites analyzed. We can conclude from this that the Internet is very poorly utilized as a franchisee interface: There is very little customization and very little interaction. Not to be ignored, however, is the possibility that detailed information and interaction was provided via intranet networks or areas not accessible to ordinary visitors. In fact, our study found various examples of sections dedicated to franchisees that could only be accessed by means of a user ID and password.

DISCUSSION OF RESULTS AND IMPLICATIONS FOR MANAGERS

The first thing that emerged from the analysis was a marked underdevelopment persisting from both the point of view of the structure of the Internet sites and the function of basic information

FIGURE 2. Customer Orientation of Franchisors on the Internet
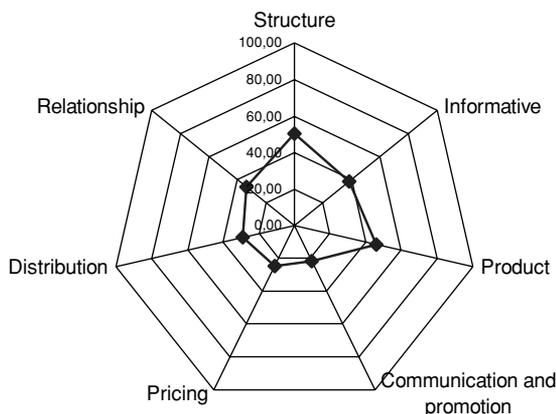
(see Figure 2, which is the synthetic output of the weighting system). This emphasizes that the Internet is still a relative novelty for franchising, while all the other sectors examined (financial, railway, postal sectors; Cedrola, 2002a, 2002b, 2003, 2004) demonstrated a more proper use of it.

Postal, bank, railway sectors, and Italian small and medium enterprises (SMEs) have, over time, paid closer attention to good Web structure recommendations and to end users information, albeit developing their online marketing mix differently, notwithstanding their specific utilization of the Internet as a marketing tool (see Figure 3). Indeed, although postal and bank sectors and Italian SMEs see the Internet as a distribution channel particularly for online services and products, the railway sector uses the Internet mainly to manage communication and pricing strategies, thus giving the impression that those franchisors actualized their Web spaces by following the rules of general communication and not those of online communication.

The information function was also poorly exploited by franchisors: the only information provided by all referred to the location of sales outlets and their traditional and digital addresses. As Figure 4 shows, the general approach was the same in all countries examined, revealing only slight differences. For these reasons, we can confirm a general underdevelopment in all the examined countries.

As for orientation toward the two identified targets—end user and franchisee—the data showed the enormous effort that companies must make to exploit the opportunities that the Internet offers in terms of strategic utilization and marketing levers. The most underdeveloped environments referred to communication and distribution, those that classically constitute the strengths of a relational mode such as the Internet.

The analysis also showed that the 305 Web sites of the sample differed from each other in terms of development levels of Internet marketing and by sector. The business sectors, traditionally more developed in terms of interactive communication and Web-vectored, dedicated the greatest operating efforts in a franchising
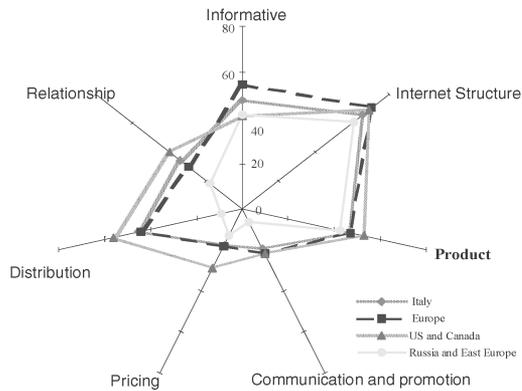
FIGURE 3. A Comparison With Other Research

Railway sector (2003)
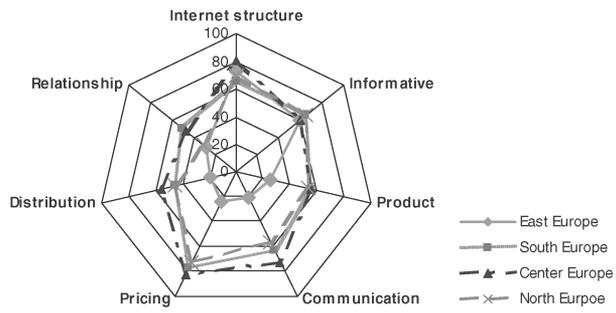
Postal sector (2003)
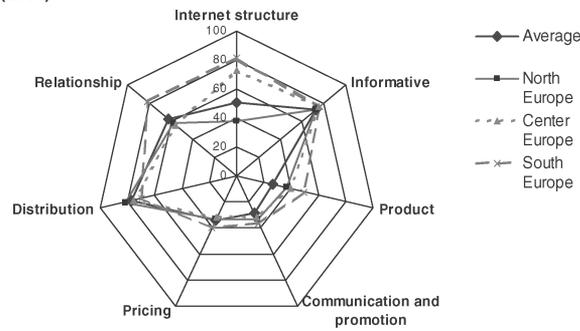
Banking sector (2002)

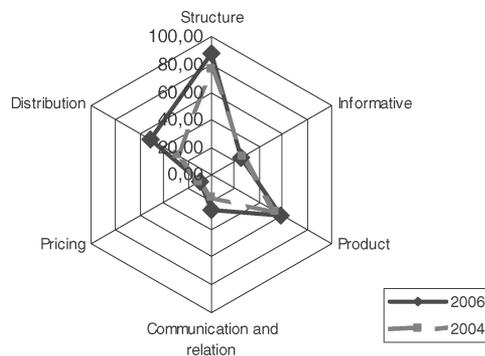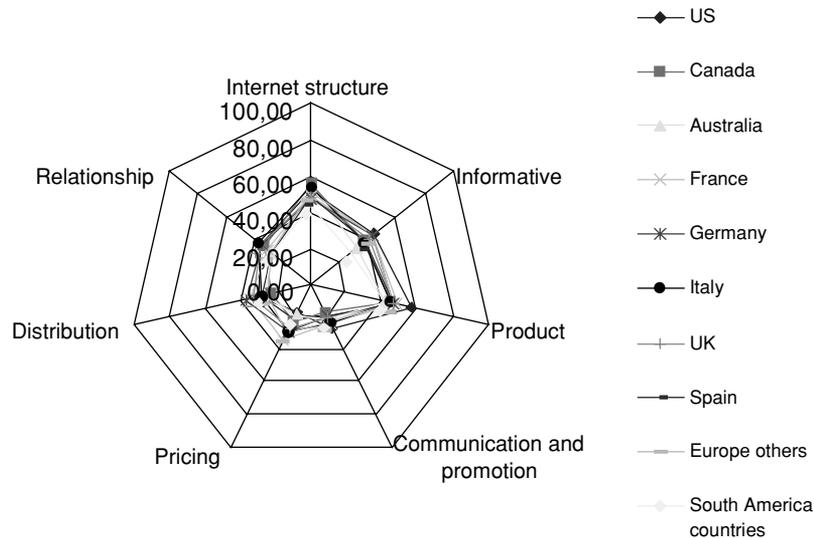**Italian SME's (2004 - 2006)**

FIGURE 4. The Weighting System: Franchising Results/Country

context (see Table 5 for hotels and restaurants, personal care, and household articles).

We can thus conclude that the opportunities in the areas of product, process, and market innovation referred to in the opening paragraph are still largely unexplored (Verhoest & Hawkins, 2001). The function of providing information to the end user is not very highly developed: Little attention is paid to relationships and in very few e-commerce situations. Thus, the Internet is rarely used to develop evolved and lasting relationships with customers.

This underdevelopment is even more marked when considering the franchisee targets that still do not appear to receive any special attention by means of what is now considered to be the principal tool for building relationships, recruitment, training, and information. We found no examples of virtual communities of franchisees or situations of excellence in terms of development of relationships of order collection/filling via the Internet, although these functions may have been developed in tools that are not accessible to an external observer.

Finally, it is clear that among the four aforementioned models adopted by the franchisor, the most frequently adopted was the restrictive model. More responsibility and freedom could be found in the hotel and restaurant sectors, where in many cases the franchisor and fran-

chisee Web sites coexist but are coordinated by the franchisor for branding actions, site orientation, and look and feel.

FINAL REMARKS AND AREAS FOR FUTURE RESEARCH

Is the Internet for franchising something new or just a different way to communicate? The question that inspired this study led us to a twofold answer. Potentially, the Internet for franchising is a source of great opportunities from a dual marketing point of view, but the real international situation demonstrates a general approach to the Internet that is still traditional. The Internet is a tool and the fact that the word *tool* is used shows the lack of strategic influence in using the Web, both in relationships between the franchisor and the end customer and between the franchisor and the franchisee community.

Future studies in this field will analyze how the Internet is used to interface the franchisee families and to include qualitative data through interviewing managers of different enterprises in addition to a longitudinal analysis to explore the evolutionary approach to the Internet by the franchising system. However, in our opinion the situation described is per se emblematic, to the point that currently, franchising considers the Internet

TABLE 5. The Behavior of Franchisors on the Web

	Sample Average	Specialist Food Sales	Nonspecialist Commerce	Personal Articles	Household Articles	Other Specialist Commerce	Services	Hotels & Catering	Construction & Maintenance	Industry
Structure	50.5%	50.3%	31.7%	54.1%	50.6%	48.9%	49.3%	52.6%	50.8%	38.3%
Informative	38.7%	37.4%	8.0%	36.8%	43.8%	36.2%	38.6%	48.7%	31.4%	22.3%
Product	46.1%	43.4%	26.7%	45.4%	47.2%	43.9%	46.3%	51.8%	51.8%	48.8%
Advertising and promotion	21.7%	29.2%	0.0%	31.9%	20.3%	20.4%	17.2%	24.6%	14.5%	25.3%
Pricing	24.6%	24.9%	0.0%	32.4%	22.0%	25.2%	22.6%	31.0%	18.7%	0.0%
Distribution	29.0%	32.2%	16.7%	34.0%	37.2%	24.8%	26.9%	34.6%	20.7%	16.5%
Relationship	33.5%	31.9%	0.0%	35.3%	29.2%	31.1%	34.7%	36.8%	30.9%	31.3%

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to only be a different tool for communicating and not really a new factor for business.

The main limitation of this study is that a survey such as this only provides a snapshot of the situation at the time the observations were carried out. Moreover, the data could be classified using other directories, and the pondering system reflects—for some attributions—the opinions and convictions of the authors.

A further analysis of the data collected could also consider the size of the company and the international spread of its franchising network.

This study was intended to serve as a basis for further research into the stimuli and reservations of franchisors when developing their online strategy and how this area affects their relationship with franchisees.

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