Parallel Practices of Microfranchises

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Introduction

In recent years, microfranchising has been heralded as 'the next big thing.' It's true, microfranchising has great potential. The goal of this business model is to make permanent improvements in the developing world by bringing a business idea to a would-be entrepreneur and concurrently providing social benefit to the surrounding community.

Microfranchising is similar to the well-known franchising model of the developed world. In the franchise model, a proven business, complete with products, methodology, and brand name, is provided to an entrepreneur, setting him/her on track for success. In developing countries, microfranchises provide the same opportunity.

Several types of franchising models in the developing world refer to themselves as microfranchises. For the purposes of our discussion, we will limit our definition of a microfranchise to a small-scale business with a mission to directly better the end-customers' lives. The franchisees of these organizations sell the product or service directly to the inhabitants of their local communities. The solely for-profit franchise model, such as the retail and restaurant franchise model common in the US, will not be discussed, nor will we look at microfranchises that buy-back the products of the franchisee, such as farm goods.

An important part of this definition is that, unlike the common for-profit franchise, microfranchises operate with a philanthropic mission. The products and services of these companies directly increase the quality of life of the customers. However, microfranchises are not charities. They look to make every step of the business profitable. With the microfranchise model, social benefit is delivered in line with revenue generation. This makes the microfranchise financially sustainable and gives it the potential to strengthen the well-being of communities in developing countries.

In this document, we will examine the parallel practices of existing microfranchises. We start by introducing the definitions used to discuss these microfranchises and the businesses referenced for this study. Then, we examine the analogous organizational decisions made to achieve economies of scale, reduce necessary man-power, and continuously improve the model. After, w find the strategies on-ground which makes these organizations successful in 'selling their products,' and finally, discuss the applicability of this model beyond the developing world.

Background

Five companies were researched for the purposes of this study: VisionSpring, NOW 4 Life, GrameenTelecom, Drishtee, and The HealthStore Foundation. These companies cover a broad segment of the microfranchising field as they differ in age, for-profit status, product-type, and region of operation. What unifies these companies is that they use franchisees to sell and deliver goods and services to the end-customer, who is part of an under-privileged population to which the goods provide some social benefit.

VisionSpring

VisionSpring was incorporated as an American 501(c)(3) in 2001 originally under the name Scojo Foundation. Headquartered in New York, VisionSpring brings reading glasses to customers in India, Guatemala, Ghana, Bangladesh, El Salvador, and sub-Saharan Africa. The franchisees who sell these glasses on-ground are commonly referred to as Vision Entrepreneurs. The organization was created in parallel with Scojo New York, a for-profit retailer of high-end glasses, located in the same headquarters as VisionSpring. When Scojo New York was sold in 2008, the name of the foundation was changed to VisionSpring.

VisionSpring's mission is "To reduce poverty and generate opportunity in the developing world through the sale of affordable eyeglasses."[17]

NOW 4 Life

NOW 4 Life is an American not-for-profit started in the summer of 2006 by Terry and Nancy Anderson, who now manage the company. This internet-based business that provides means to clean water in developing countries. Franchisees are currently operating in Uganda and Nicaragua.

As reported in their business plan, "NOW 4 Life seeks to drastically reduce sickness and death caused by drinking unclean water and practicing poor hygiene by providing clean water and good hygiene solutions that work easily and effectively, and are affordable, sustainable and appropriate for developing nations."[42]

GrameenTelecom

GrameenTelecom started in 1995 as a not-for-profit organization in Bangladesh bringing phone service to rural communities through franchise locations called Village Phones. Grameen Bank initiated the founding of this organization along with its sister organization, Grameen Phone Ltd., a for-profit phone service provider. Currently, GrameenTelecom owns 38% of the shares of Grameen Phone. In 2002, the Grameen Foundation replicated the GrameenTelecom's Village Phone model in Uganda and later in Rwanda and the Philippines. The discussion here will be limited to GrameenTelecom in Bangladesh, unless otherwise noted.

GrameenTelecom looks "to provide easy access to telephone services, all over rural Bangladesh; to initiate a new income generating option for the villagers; to gradually bring the full potential of the Information Revolution to the doorsteps of Villagers (i.e. Bring IT to the Poor) using telephone as a new weapon against poverty since connecting rural areas to the rest of the world brings new opportunities to the rural populations."[28]

Drishtee

Drishtee is a for-profit Indian business operating since 2000. Franchisees operate kiosks that originally focused on e-government services by but now offer a variety of services mostly focused on information and communications technology. Drishtee Foundation, a non-profit organization, and Quiver Infoservices, a Drishtee subsidiary, work closely with Drishtee for market research, support, and implementation of additional services at Drishtee kiosks. Drishtee currently operates in 12 states of India.

"Drishtee's objective is to develop and manage a series of partnerships that will (1) work together to deliver both governmental and private services efficiently to citizens in rural areas, and (2) generate revenues to maintain the economic viability of the operation by charging fees for these services."[p.1 7]

HealthStore

The HealthStore Foundation was incorporated in 1997 as an American non-profit originally under the name Cry for the World Foundation, and later Sustainable Healthcare Enterprise Foundation. This organization provides healthcare for common diseases through clinics and medicine shops run by nurses and community health workers. The name was changed in 2005 to simplify the brand's image. Their Child and Family Wellness (CFW) Shops are operating in Kenya and Rwanda.

The HealthStore Foundation Mission is "To improve access to essential drugs, basic healthcare and prevention service for children and their families in the developing world…using business models that maintain *business* and *clinical standards*, are geometrically scalable, and achieve economies of scale."[53]

Exploit Partnerships

One practice seen throughout the microfranchises studied is the practice of creating partnerships. Selling to an under-privileged population, these microfranchises will never achieve high margins on their sales. In order to fund their ventures, with these low revenues and the limitations of charitable funding, each of these microfranchisors leverages partnerships to reduce expenditures in their value chain[44].

Sister Organizations

Several of the microfranchises discussed created a sister organization or were created in conjunction with another such organization. The synergy between these companies benefits the microfranchise by providing value in economies of scale, expertise, and technological resources which would be difficult to produce or procure independently.

VisionSpring, originally Scojo Foundation, was created in conjunction with Scojo New York, a high-end, New York-based, for-profit company in the eyeglass business. This sister partnership provided value to Scojo Foundation in activities from logistics to infrastructure. The microfranchise benefited from the economies of scale provided by working with a company in the same sector, from the firm infrastructure and human resources of the Scojo Vision, LLC. who advised Scojo Foundation[14], and "5% of the pre-tax profits from Scojo New York were designated for Scojo Foundation."[17]

GrameenTelecom incorporated Grameen Phone Ltd. upon its inception and owns 38% of its shares[27]. This partnership provides a significant source of value in the logistics and operations as well as the service activities of GrameenTelecom. GrameenTelecom “uses Grameen Phone’s advanced FSM technology in stationary village phones.”[p2. 16] at a discounted rate of 50% a phone call. And, Grameen Phone provides 24/7 customer service to users of the Village Phone[16], adding value to GrameenTelecom at the service end of its value chain.

Drishtee operates in conjunction with its non-profit partner called the Drishtee Foundation. This organization conducts market research “to identify and asses the demand for different products and services across regions.”[49] In addition, Quiver Infoservices is a Drishtee subsidiary, which creates additional services provided by Drishtee, such as healthcare, microfinance, and education. With these two sister companies, Drishtee is able to add value at little cost at the technology development stage of its business.

With these sister partnerships, the microfranchises benefit from the economies of scale provided by working with a company in the same sector, but targeting a higher-end, higher revenue-producing customer. Using this strategy has allowed the microfranchises have reduced logistical and operational costs. In addition, by having a partner organization in the same field, some of the human resources necessary to technology development may be shared or delegated, further reducing the cost of overhead. And because these organizations are created for the purposes of aiding the other with a shared mission, they mitigate some of the risk inherent to a simple resource supplier or other functional partnerships.

Supplier Partnerships

Though they carry more risk than a sister company, supplier partnerships have been equally effective in reducing overhead costs for these microfranchises. When a supplier’s mission aligns with that of the microfranchise and the partnership is mutually beneficial, outsourcing provides some value to a microfranchise’s business at a lowered cost to benefit ratio.

For example, Drishtee works with several companies to provide additional services from the kiosk locations. “For certain services, such as education, Drishtee is the actual vendor. For others, like healthcare, Drishtee is the service facilitator and logistics provider between a third-party vendor and the community they serve”[p. 17, 34]. In fact, “Drishtee’s broad offering requires relationships with many vendors” [p. 9, 34]. In this manner, Drishtee delegates some of the organizational burden of operations and technology development.

HealthStore similarly delegates the procurement of its pharmaceuticals through a partnership with Surgipharm, a for-profit supplier of pharmaceuticals in Kenya and Uganda. HealthStore recently switched to the for-profit provider from MEDS, a non-profit wholesaler of generic pharmaceuticals[24]. This switch allowed HealthStore to take advantage of additional services such as the management of individual clinic’s orders, packaging of drugs, and delivery of drugs to clinics. These services significantly reduce the number of personnel needed to manage and deliver pharmaceuticals. In addition, it reduces the amount of space needed to store drugs[51]. In effect, this partnership diminishes costs from inbound logistics to outbound logistics.

GrameenTelecom's relationship with Grameen Bank alleviates the cost to GrameenTelecom of financing Village Phone. "The Bank provides necessary organizational support to GTC in selecting members, collecting bills, handling day-to-day problems, etc."[28] These are all support activities of GrameenTelecom, which Grameen Bank is able to provide at a lower overhead, because of Grameen Bank's economies of scale and expertise.

Each of these functional partnerships reduces the overhead human costs of running the microfranchise. In outsourcing to these other organizations, whose missions align to their own, Drishtee, HealthStore, and GrameenTelecom partner have mobilized powerful resources to supply value and support the success of their missions.

Franchisee Partnerships

Outside of support partnerships, VisionSpring and NOW 4 Life have created value in franchisee partners. This model contrasts organizations such as HealthStore, is an American non-profit working in a foreign market though foreign direct investment and creating its own infrastructure on ground. VisionSpring and NOW 4 Life instead license the franchise's model to an existing company operating on-ground, and thus do not operate solely under the direct investment model. In other words, the microfranchises export the entire franchise model to another organization, adding a value system to the marketing and sales activities of the microfranchises. These organizations may be thought of as master franchisees[4], acting somewhat like a franchise branch themselves, but on a different scale than the microfranchisees.

VisionSpring has various forms of franchise partners in several countries. In Guatemala, VisionSpring partners with Community Enterprise Solutions, which maintains its own group of entrepreneurs operating on the microconsignment model[17]. Another one of VisionSpring partners, "BRAC (Bringing Resources Across Communities) is working to train and equip its all-female network of over 60,000 community health workers, or Shastho Shebikas, to provide vision screenings and sell affordable reading glasses in their communities."[17] In this model, the franchisee partner is doing the work of identifying and reaching out to potential Vision Entrepreneurs. The partners take on all of the responsibility for on-ground logistics and management of the franchisees, significantly reducing the personnel VisionSpring must employ to succeed in its mission. By maintaining nearly the same model with each of its franchisee partners, it only take one actual VisionSpring employee to manage 4 or 5 partnerships[21], meaning these partnerships allow one person to reach 4 or 5 different countries with VisionSpring's services.

NOW 4 Life partners with organizations looking for mission work. These organizations then supply the on-ground man-power for starting a NOW 4 Life business. As a result, NOW 4 Life need never employ anyone to service a franchise. NOW 4 Life simply provides the missionaries with the appropriate tools and knowledge to start the business[42]. In this manner, NOW 4 Life is able to operate in several foreign countries while remaining a small internet-based organization.

While these franchise partnerships offer great financial benefit to the microfranchises, they come at a cost of moral hazard[12]. The microfranchises lose some control over the operations of the organization. VisionSpring admits that it has "little recourse if partners do not honor their commitments"[p.23, 15]. And VisionSpring has sighted several instances where a franchisee partner's methods differed from the VisionSpring model in such a way that the company credibility or profitability was damaged[3][31]. "When you are working with franchise partners, you don't have direct control. It's a more indirect control and it's dependent upon the organization and the prioritization that the organization puts on your product."[31] By conducting up-front due-diligence on potential partnerships, laying out explicit expectations and agreements, and ensuring that the partners' missions align well with those of the microfranchise, possible issues may be mitigated.

Finding appropriate partners can be an extremely potent tool in mitigating costs and risk. This is so powerful a tactic, in fact, that two of the microfranchises discussed here are partners, helping each other fulfill their missions. VisionSpring works with Drishtee to provide eye screenings and reading glasses at their kiosks[17][49]. However, entering into partnerships, rather than conducting an activity in-house, is risky for a microfranchise. It is a decision which must be weighed carefully. But as these five companies have shown, partnerships can add value at low cost all the company's activities may be the way to best maximize the reach of a microfranchise with minimum expenditures.

Focusing on Continuous Improvement

As the partnerships just discussed have exemplified, microfranchises are looking for responsible ways to work toward a financial bottom line as well as a social bottom line. However, the microfranchise model is not yet a mature model. Partnerships are only one way that these businesses are working to align their profit-generating activities with the mission. No precedents exist for exactly how to accomplish this dual bottom line with the franchise model. Inarguably, these companies are *pioneering* the structure of their businesses. The five organizations examined have been successful in this because of their creativity and management philosophy. Each organization is self-aware and open to change, understanding that in any new venture issues will arise and that even in solving one issue, new issues may arise as well.

VisionSpring

VisionSpring maintains a strong awareness of its business model. The company works with Professor Ted London at the William Davidson Institute at the Michigan Ross School of Business. In this partnership, Professor London and his team research VisionSpring impact and identify metrics to measure the organization's social impact beyond the sale of glasses[40]. In this manner, VisionSpring can assess its progress in 'reducing poverty and generating opportunity.'

VisionSpring also demonstrates its self-awareness in its proven willingness to change. When VisionSpring started selling glasses, the selection of glasses was limited and low-cost. "Even though [people in the most remote villages of India] were being shown the offering of very inexpensive glasses, you would survey them and you would find out that they thought the glasses were ugly."[31] VisionSpring now offers "four models of reading glasses through it retail channel, and relatively more stylish models are more expensive…Demonstrating the fact that style is an important consideration for consumers of any income level, the least expensive model accounts for only 3% of sales."[pgs. 20-21, 15]

In addition, VisionSpring continues to look for ways to improve its offerings. It has been observed that the market for a VE is quickly saturated. There is a finite number of people who need reading glasses and the rate of obsolescence for these glasses is relatively low[31]. Thus, it is necessary for VisionSpring to look beyond reading glasses and expand product offerings to other optical products, such as sunglasses, transitions glasses, ready-made distance glasses, and self-adjustable glasses.

Drishtee

Drishtee has also exemplified the ability to adapt. Originally, Drishtee provided limited e-government and one-way interactions, with knowledge and resources coming to the rural user[5]. However, Drishtee has realized the potential of expanding its services. The company now works with Drishtee Foundation to identify areas for potential expansion and with Quiver to "focus on the design, development, and delivery of services that will be layered onto the Drishtee platform."[41] In 2002, MIT collaborated with Drishtee to study the viability of the iPaq handheld computer[18]. Being flexible and adopting beneficial services, Drishtee has furthered its customer-driven mission to better the lives of rural Indians.

Drishtee has altered some operational methods as well. In an effort to better serve their kiosk owners, Drishtee has changed its supply chain to a more formal system. "To manage costs, Drishtee developed an automated ordering system. Their web-based system easily enables kiosk owners to place orders and assists suppliers with account management"[p. 9, 34] This system has challenges, but is seen to be a greater benefit to operators than the risks.

GrameenTelecom

Little documentation exists about the efforts of GrameenTelecom to self-assess and mitigate issues that arise in Bangladesh. However, throughout both the Village Phone Replication Manual and the Village Phone Direct Manual, pilot programs are emphasized as an effort to self-evaluate and mitigate later problems. In addition, the Village Phone Replication Manual repeatedly states the importance of self-awareness, self-evaluation, and improvement of services rendered to both the phone operators and customers. An instance of a change which helped the operators: "One microfinance institution in Uganda initiated a program to allow their Village Phone Operators to purchase airtime remotely. They place a phone call to their loan officer who reads the Village Phone Operator the authorization number from the prepaid airtime card and deducts the purchase price from the Operator's account balance. Work is underway to completely automate this process. This has reduced the microfinance institution's cost of delivering pre-paid airtime cards to their Village Phone Operators and eliminated the need for the loan officers to carry pre-paid airtime cards to the field."[p. 64, 32] From their documentation, it is obvious that Grameen Foundation recognizes the need for a company to continuously improve and make timely changes to prevent failure.

NOW 4 Life

Though much younger than VisionSpring, Drishtee, or Grameen, NOW 4 Life has showed an entrepreneurial spirit in its short existence. The company started with the idea that clean water would be best supplied to remote villagers with a shallow well where one could extract clean water. Though scientifically viable, this solution has failed in previous instances because community behavior around these wells does not promote proper usage of this clean water source[2]. As such, the business turned to water filters, which showed better success. At present, the business still realizes that there are many cultural barriers to overcome before the filters will be used properly. Through continuous research, experimentation, and learning, NOW 4 Life is confident that its model may be successfully implemented in any environment.

HealthStore

More than any other organization discussed here, HealthStore self-evaluates its function as a franchisor. Working with franchise experts such as Michael Seid[35], HealthStore is constantly reviewing its practices to ensure that it runs as a franchise and is not directed by the regulations of non-profit funding. In order to better function as a franchise, HealthStore is currently establishing a for-profit entity to allow investor capital to augment donor funding, while maintaining its non-profit entity in order to continue to receive donor funding to subsidize care for low-income patients[51]. In this manner, HealthStore believes that it will be able to stay focused, minimize over-head, and best serve its clinic owners and customers.

Throughout its history, HealthStore has looked at ways to continuously improve. In 2006, CFW partnered with the ExxonMobil Foundation to find a better way to diagnose and treat malaria[53]. A What Works Case Study published by the World Resources Institute in 2005, describes changes in HealthStore's ownership criteria allowing the owners to better serve the communities around CFW franchises and to allow the franchisee to generate more revenue. This document also describes changes in the way the franchise fee is collected made to prevent hidden income, changes in the way franchises are financed to reduce the burdens of interest payments, and changes in the training to better educate franchisees about business skills[24].

HealthStore is also has shown willingness to self-examine and change tactics partway through a project. In the 2005 case study, HealthStore was looking to re-brand all of its CFW shops with the HealthStore name[24]. However, the HealthStore name is not unique and thus is not able to be trademarked, making it an unsuitable brand name. So, though the re-branding was planned, HealthStore reconsidered and reverted to CFW shops and clinics[51]. Furthermore, HealthStore showed readiness to completely review and reinvent its practices, given the opportunity. In moving to Rwanda, the CFW franchise model was completely reevaluated and modified to prevent the reoccurrence of past mishaps. Unlike in Kenya, not all of the franchises are owned by nurses. In Rwanda, there is a hub clinic, owned by the company, which has satellite clinics owned by nurses[51]. In choosing to change the model, HealthStore exemplifies its self-awareness and ability to assess the issues with current operations.

Continuous improvement has been integral to all of these companies. As Terry Anderson states, "There is a long learning curve to what we are doing, since this model has never been tried before."[2] But, it is the willingness to indentify issues preemptively, make changes unequivocally, and maintain the entrepreneurial and business spirit that has allowed these organizations to succeed with their fresh, but unperfected model. Peter Eliassen calls this ability to succeed "a constant learning and keeping your eyes and ears open."[21]

Empowering the Franchisee

One of the ways these microfranchises are commonly innovating their business practice is with the franchisee policy. For a microfranchise, as with a normal franchise, the franchisee is the basis of the sale model, and ultimately, the sales made and revenue flow depends on the success of the on-ground franchisee. As Peter Eliassen of VisionSpring puts it "Our vehicle in [selling eye glasses] is through Vision Entrepreneurs."[21] Common franchises generally control their franchisees through the use of coercive power, as described and proven by Hunt and Nevin in their 1974 article *Power in a Channel of Distribution: Sources and Consequences*[30]. However, unlike common franchises, these microfranchises have relatively less coercive power over the franchisees, due to the location and form of the franchisee agreements. Because of this, the microfranchisor has turned to non-coercive power, defined as assistances that "establish the franchisor as an expert in the eyes of the franchisee; they legitimize the franchisor's effort to gain power, and they help to get the franchisee to yield power willing to the franchisor"[p.109, 30]. Examples include franchisee training and the operating manual. Though these are forms of control, these non-coercive forms of power also provide an environment where the franchisee can thrive while benefiting the business overall. The microfranchises examined have created policies which ensure that the franchisee is able to thrive during each stage of the franchisee/franchisor relationship and that the franchisee wants to succeed, while also reinforcing power to the franchisor. The following examples demonstrate how the microfranchises have framed processes which inspire, motivate, and support the franchisee, in their venture.

Before the Contract

Each microfranchise has a detailed franchisee selection process and franchisee criterion. Many of the microfranchises seek out potential entrepreneurs, targeting model candidates from the very beginning. VisionSpring, for example, works with local nongovernmental organizations and microfinance institutions to identify potential candidates and requires relevant biographical information on the candidate and the recommendation of a local community leader before contacting the candidate him/herself [29].

The characteristics required for final approval as a franchisee are analogous across each organization, as well, with a few deviations specific to the organization. All companies require a job-appropriate level of education, or demonstrated ability to understand business concepts; and though not stated as explicitly, each microfranchise also requires the franchisee to be respected in the community and to demonstrate personal and financial integrity[15][42][28][8][20][7][24].

Carefully selecting franchisee serves two purposes. First, it does offer the microfranchisor some assurance that the franchisee will be successful. This process verifies the franchisee has the appropriate intellectual and social capital to run a business, attract customers, and see financial success. The importance of having well-defined franchisee selection criteria is exemplified by VisionSpring. After refining the criteria for VEs, making non-financial motivation a principle criterion, VisionSpring saw a decrease in attrition of 40%[29].

But second, this process established the franchise as an expert, and legitimate organization which has the power to reward individuals. Thus, when the franchisees are chosen, they feel identified as having a potential and singled out as someone in the community who is trustworthy, intelligent, and hard-working. Before the enterprise is underway, the franchisee feels that the franchisor believes in him/her, and the franchisor begins to exercise non-coercive power over the franchisee.

The Initial Phase

During the initial phase of the business, after the franchisee has been appointed, the franchisee is entrusted with the materials and means to run the business, another source of non-coercive power. With these materials, the franchisee is given an otherwise unobtainable opportunity, which motivates the franchisee to success. Also at this time, the franchisor elicits a franchise fee and the franchisee begins to invest personally in the partnership. This fee makes the franchisee a full participant in the business, becoming both a financial and functional associate.

For a good representative example of this phase, we will look at the HealthStore system. At this stage of the business, the CFW franchisee is responsible for the entire cost of establishing a CFW clinic, estimated at US $5,000[51]. However, though it may be possible for the franchisee to raise this necessary capital, HealthStore is prepared to provide financing for the franchisee. In effect, the franchisee does, in fact, own the shop and becomes an active financial investor in the business. Also at this time, HealthStore provides the necessary materials and logistical assistance necessary for running a CFW shop. The franchisee is provided with the location and furnishings for the location[24], “franchisees are entitled to receive a supply of high quality, low cost drugs.”[53], and HealthStore handles the regulatory tasks of starting a clinic and issues with government regulators for the franchisee[24]. In addition to the physical resources provided by HealthStore, the franchisee undergoes a four-week training program to develop the necessary business skills[24] and is provided “an operating manual complete with policies, procedures and forms constituting a turn-key management system.”[53] This removes the activation energy a franchisee would need to put in him/herself to create a sense of direction and framework under which to operate.

Using these practices in this phase, the franchisor develops two forms of non-coercive power while also empowering the franchisee. First, by requiring financial participation from the franchisee, the microbusiness represents a financial responsibility to the franchisee and creates a common identity between the franchisor and franchisee. The second form of non-coercive power, the materials and education are seen as a gift from the franchisor, benefiting the franchisee before any profits are made. Without the franchisor, obtaining the materials, training, and resources necessary to start one of these business independently would be an investment the franchisee could not make. Thus, the franchisee feels rewarded and referent to the franchisor, sources of non-coercive power for the franchisor.

On-going Support

As with all businesses, it is not possible to mitigate all potential problems at the birth of the business. Described *in the Microfranchise Toolkit* by Jason Fairbourne[22], franchisor-franchisee relationships are physiologically dynamic, and one must work to maintain them. Especially in the case of microfranchises, the franchisees may be unfamiliar with running a business and will find that working with the franchisor is not as easy as first envisioned. For example, VisionSpring finds "there was often a drop off in sales after the three-month mark because the VE had exhausted his/her network and had not yet become comfortable approaching people unknown to him/her."[p. 6, 14] Expertise and referent sources of non-coercive power are employed in this stage to allay this dissatisfaction and prevent attrition.

On-going training, a way to establish the idea of expertise in the franchisor, is used by nearly all of the franchises. VisionSpring in India provides on-going marketing and sales support for its VEs[14]. This allows the franchisee to continue to make the profits he/she made initially and which inspired their interest in the organization, even after the initial period of three months described. GrameenTelecom has a similar policy. "By tracking trends in phone use, the company can identify operators who are having difficulty marketing phone service or collecting payments for phone use. These operators are then provided with personal assistance to ensure that their businesses succeed."[p. 7, 16] HealthStore offers personalized support as well. "During the franchisees' monthly evaluations, they are asked to request specific training needs; given sufficient demands, a trainer from HS headquarters will provide a training course at the closest regional field office"[p. 18, 24]. It is this unique support, actually targeting the franchisees in need and helping them to acquire better business practices which allows for these microfranchises to succeed. Without the continuing support, franchisee may feel as though the business is not as valuable as first thought and or that the franchisor doesn't have the knowledge to help the franchise and abandon it all together.

In addition, several companies are utilizing peer franchisees as a means of psychological support and motivation for franchisees and to create a community, a sense of reference with the franchise. VisionSpring entrepreneurs often conduct large sales events in small groups, sharing the profits[21][43]. Grameen Bank, the financer behind GrameenTelecom, utilizes a peer support system to see that franchisees are continuing to be accountable for their loans. HealthStore and Drishtee conduct their franchisee training in small groups of 10 to 20 participants. In addition, all HealthStore franchisees meet annually, sharing experiences and advice[24]. 'Peer pressure' is often an effective motivator. It would seem that VisionSpring, GrameenTelecom, Drishtee, and HealthStore are effectively utilizing this motivation to keep franchisees on target. With these organizations, the team spirit and policy of peer interaction motivates the entrepreneurs to weather unprofitable times and continue the franchise.

In effect, through these non-coercive forms of power, the franchisor creates an environment of success for the franchisee. All of these companies also have perfunctory reporting and restocking meetings through which the business is sustained; similar meetings are prevalent in the for-profit franchise model. But, through more nurturing and philanthropic interactions, the franchisor can satisfy the psychological needs of a franchisee and work through issues unique to microfranchisees.

At each stage of the franchisee/franchisor relationship, the franchisor has established non-coercive forms of power which work to ensure the franchisee has the personality, skills, materials, and motivation necessary to succeed in the microfranchise model. With the successful completion of the franchisor's mission depending on the franchisee in the microfranchise model, the success of the franchisee becomes an essential business goal. Thus, by using non-coercive power policies, the company guarantees that the franchisees have the ability and motivation to complete his/her part of the sales chain.

Engendering Goodwill in the Customer

One of the main reasons that these microfranchises have been able to effectively complete their mission using the microfranchise model is the unique approach these microfranchises take in regards to their customers. Products and services provided by the microfranchise, by definition, serve a philanthropic mission. These are products to which the end customer would normally be denied access, due to price or location, for example. Despite the end-customers need for a product or service, however, the potential customer must actually want to the product in order to purchase it. VisionSpring cites an example where needed eyeglasses were not being bought because the customers found them to be ugly[31]. It is not enough for these microfranchises to simply provide a product. They must educate the customer about the need for the product, ensure that the customer feels comfortable, respected, and valued, and in effect, engender a desire and goodwill for the product in the customer. To see this through, the microfranchises here are using several traditional for-profit marketing and sales techniques which have been tailored to the culture of the customer.

Branding

Branding can be a powerful way to create an identity and reputation for a company. With a successfully managed brand, a customer or potential customer need only see a mark to identify and even trust a product. In a developing country, where literacy may be low and technological means of advertisement unavailable, this iconic means of marketing is extremely compelling.

Both VisionSpring and HealthStore utilize branding as a marketing strategy. All VisionSpring Entrepreneurs "wear branded VisionSpring uniforms and IDs."[17] while conducting exams. In addition, every VE has a similar inventory of glasses, and VisionSpring works to keep pricing consistent in a given region. HealthStore creates a uniform brand through consistent storefront design and signage, similar in-store lay-out and furniture, and identical pricing display policies. In addition, "marketing materials are also consistent across the franchises, so the same promotion advertisements and educational posters can be found decorating the walls of each outlet"[p. 10, 24]. Both of these organizations strive to keep consistency across the franchises, truly building an organization-wide image. On a smaller village scale, Drishtee has built a brand image as well[20]. Though the use of branded marketing materials is not required by Drishtee, they are included in the franchise fee and all papers, such as receipts do carry the Drishtee mark. Additional branded materials may be requested[49]. Much of the success of Drishtee kiosks is purported to be due to the local-branding efforts by the kiosk operators.

In its documents on how to replicate the Village Phone model, Grameen Foundation cites its experience with branding in Uganda. Early in the pilot program, the team decided marketing was necessary and "provided the necessary tools to the Village Phone Operator. This included a roadside sign and a set of business cards which the Village Phone Operator could customize and hand out within their community and to travelers. With this marketing collateral, the Village Phone would quickly become known as a community resource where one could place and receive calls and messages"[p. 44, 32] . The document goes on to describe how many operators now wear branded hats and t-shirts. In effect, Village Phone has become one of the most recognized brands of Uganda[32][1].

Once the brand is established, the success of the brand depends on consistent and quality services. Both VisionSpring and HealthStore have an organization-wide initiative to teach and promote attentive, respectful, and professional customer service[40] [24]. Both VisionSpring and HealthStore act to provide the customer with a consistent, positive, and professional experience. With brand consistency, the customer can know the company. He/she develops a relationship with the brand and a knowledge of what to expect from that company. With the professional branding of VisionSpring and HealthStore, the customer is more comfortable in working with the microfranchise and will become a repeat customer, recommend the company to others, and build goodwill and a good reputation for the brand.

Branding is effective in the developed world, but is also extremely effective with microfranchises. A logo, uniform, and constant materials immediately signal the legitimacy of the business to a customer. Grameen Foundation cites a 100% increase in usage after the implementation of the branded materials in Uganda[32]. To customers who are not well-educated, the brand mark is more important than the licenses and certificates. As a result, branding offers a relatively direct and extremely valuable way to establish and market a microfranchise.

Community Outreach

In addition to branding, microfranchises discussed here raise awareness and goodwill through community outreach. Each of these businesses provides low-cost solutions to prevalent community deficiencies, either in healthcare, communications, or hygiene. Naturally, these companies conduct campaigns that reach a large group of people in one event and educate the community about the products and services offered.

HealthStore raises awareness for its products and provides marketing exposure through community outreach and education. "During school screening promotions, for example, children and parents are educated in basic healthcare, including topics that extend beyond the scope of the HealthStore product

[1] It is worthwhile to note that this company-wide marketing campaign did not originate in Bangladesh. Though the Village Phone Operators in that country are said to create a 'brand' for each franchise itself, a company-wide branding campaign has not been implemented. The Village Phone Replication Manual hypothesizes on why this was not necessary. "GrameenPhone was the only real player in rural telecommunications in Bangladesh and so the market would assume that a Village Phone was on the GrameenPhone network."[p.44, 32]

line. In addition to school screenings, HS also organized “awareness days” to mobilize community health efforts and educate parents about common diseases.”[p.12, 24] And finally, HealthStore will organize promotional tables after church events to educate community members about services[24].

NOW 4 Life works to integrate clean water education into the local school curriculum.   It is also recommended that the franchisee “consider donating a unit(s) to the schools to improve children’s health and show how it works.”[42] In both cases, the franchisee is able to establish itself as invested community member who cares for the community at large. Also, through working with the schools, the franchise develops legitimacy with the school children and families, who comprise a large part of the local community.

A regular part of a VisionSpring Entrepreneur’s sales channels, ‘Vision Campaigns’ work to screen and educate persons about presbyopia and other eye issues[40].   Unlike the campaigns run by HealthStore and NOW 4 Life, these campaigns do have a goal of selling glasses. However, they simultaneously work to establish VisionSpring as an active and invested member of the community.

Drishtee, though it does not provide free services or sales at the events, does visit school and community meetings to raise awareness of the offerings at the kiosks[49]. As these services are directly relevant to community members seeking government services or school children desiring computer education or career advice, relationships built at these events are well-targeted to bring in customers.

Community outreach acts effectively for microfranchises in two ways. It educates people about the importance or availability of good health care or hygiene, which might otherwise be unfamiliar or misunderstood by community members. Second, by working with governmental, educational, or established non-profit organizations, the microfranchise creates a level of legitimacy hard to cultivate without the additional credibility offered by a relationship with these established organizations. In areas where HealthStore operates, “health clinics are often far away, stocks of medicine are often depleted, and drugs may be expired or counterfeit.”[p.13, 25] The acclaim that HealthStore or any other organization receives through these community outreach programs works to engender a trust in the microfranchise which has been broken by other organizations operating in the field.

It is important to note that appropriate advertising for these events is critical. Both VisionSpring and HealthStore have documented incidents where the community misinterpreted the event and thus expected services that could not be delivered. Episodes such as these can severely damage the trust which would otherwise be built at these events[21][24]. Both companies acted to remedy the issues and reestablish trust in their companies. Community awareness programs must be well executed to achieve the success desired.

Other

Other marketing schemes exist for the microfranchises outside of branding and community outreach. GrameenTelecom, Drishtee, VisionSpring, and HealthStore have all created text-based promotional materials on past occasions. These have been relatively unsuccessful, most likely due to the low literacy rate[16][45][24].

As a result, GrameenTelecom and Drishtee rely heavily on word of mouth and the initiatives of the individual entrepreneurs to cater to the village directly. It is interesting to note that the lack of appropriate marketing has been cited as a negative effect on Drishtee[45]. The limited efforts of the franchisees have taken the form of door-to-door marketing, but other promotions, such as free trial periods and reduced pricing packages have been seen[18]. VisionSpring and HealthStore have supplemented these promotions with organization-wide methods such as verbal announcements, promotional tables, door-to-door sales calls, and price promotions, which occur on a larger scale than similar efforts by GrameenTelecom and Drishtee.

NOW 4 Life targets this issue from a unique perspective. NOW 4 Life promotes its product through the creation of a 'fad,' related to the use of the product. Villagers consistently using the NOW 4 Life filters and hygiene process are given a bracelet, a piece of jewelry. According to NOW 4 Life, this bracelet becomes a point of pride for the wearer, much like a reward[42]. As the only method of obtaining this incentive is through use of the NOW 4 Life product, villagers become NOW 4 Life customers. The idea of adding a physical promotional item given as an incentive that correlates with product use is unique to NOW 4 Life. However, it is common in US brands for things to be given with purchase. With its completely visual nature, the bracelet offers a means to overcome the literacy barrier encountered by the other microfranchises.

In the end, simply offering a product is not sufficient to ensure that the product ends up in the hands of the intended users. Each of these stores has implemented at least some marketing strategy which is tailored to the unique situation of the franchisee's customers. In one case, creating a fad was an effective means to connect with customers on-ground. Or in another, simply being committed to community awareness allowed the franchisees to garner trust from the customer and elicit sales. Regardless of the tactic however, each of these microfranchises have chosen marketing policies ensure that customer is being reached on their level, successfully bringing needed good to the developing world and profits to the franchisee and franchisor.

Conclusion

In his book, The Microfranchise Toolkit, Jason Fairbourne gives high acclaim to the microfranchise model. "Education specialists like the concept because of the knowledge-sharing and training components. Businesses like it because it's an effective delivery system to provide goods and service at the base of the economic pyramid. Microfinance institutions like it because of the value-added benefits it brings to borrowers."[p.2, 22] As has been shown in this paper, several such organizations are well on their way to establishing the triumph of this innovative new model for poverty alleviation.

As discussed, each organization is working under an extremely low profit margin and in areas with little to no education, infrastructure or communication channels, circumstances which have led to great use of tactic and entrepreneurial spirit. As Tim Johnson-Aramaki states, "The strength of it all is this dedication to the exploration, the experimentation… There can be all the other tactical issues, but it's almost as though as long that's there, things will be figured out. It's not only that they demonstrate the entrepreneurial spirit, they have faith in the entrepreneurial spirit…The fact that they really blend the business and social impact."[31] The successful microfranchises examined, here despite not having set out to mimic each other, have all analogously channeled this spirit and adopted parallel practices to account for these unique circumstances of the operations.

With low revenues and the disadvantages of relying on donations to fund the businesses' ventures, each microfranchise has reduced expenditures in some manner through strategic support and functional partnerships. Through these partnerships, the microfranchises are achieving economies of scale and reducing overhead man-power. By mobilizing these resources, the microfranchises have been able to expand their reach and improve the quality of services, adding value at a reduced cost throughout their product chain.

Without the means to directly enforce controls on the franchisees, due to the characteristics of location and philanthropic nature of the business, the microfranchises have empowered the franchisees to succeed through uses of non-coercive power. As the franchisee is first entrusted with something, he/she initially feels of value to the franchisor. As the business grows, the franchisors continue to offer export support to the franchisee by ensuring they trust the franchise and are motivated and encouraged to succeed.

To counter the difficulties in marketing due to the lack of formal communications channels and low education levels, these companies reach out to the customers and meet them on their level. The microfranchises create a trusted brand-image, which speaks to the customers. Going beyond their iconic marks, these companies 'meet the people where they are,' in schools and at community events. From there, they educate the people and establish the franchise as a dedicated and concerned member of the community. Through these relationships, these companies engender goodwill within their customer base.

In effect, the success of the microfranchises lies in their ability to mold their model to the environment at hand. Like true entrepreneurs, these microfranchises have structured their business to leverage resources and provide quality services, with the ability to reassess and change when problems arise. Independently, these microfranchises have created people on-ground who are excited about going out to sell the product and people who are excited to buy it through similar methods. Citing these analogous practices, we may conclude with the sense that, in the developing world, the microfranchise model has the potential to alleviate poverty through capitalism using context-specific partnerships, franchisee relationships, and marketing.

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