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FRANQUIAS EM ESPAÇOS COMPARTILHADOS COMO SOLUÇÃO ESTRATÉGICA PARA EXPANSÃO EM CIDADES PEQUENAS

FRANCHISE IN SHARED SPACES AS A STRATEGIC SOLUTION FOR EXPANSION IN SMALL CITIES

[TRADUÇÃO INGLESA]

LUCAS GAMALEL CORDEIRO

CASCAVEL
2022

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Dissertation presented in partial fulfilment of the requirements for the degree of **Master of Science in Administration** in the Department of Administration, Western Paraná State University.
Dissertation Supervisor: Dr. Ronaldo Bulhões

Dissertação apresentada ao Programa de Pós-Graduação em Administração (PPGA) – Mestrado Profissional: da Universidade Estadual do Oeste do Paraná, como requisito parcial para obtenção do grau de **Mestre em Administração**.
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LUCAS GAMALEL CORDEIRO

Franquias em espaços compartilhados como solução estratégica para expansão em cidades pequenas

Dissertação apresentada ao Programa de Pós-Graduação em Administração em cumprimento parcial aos requisitos para obtenção do título de Mestre em Administração, área de concentração Competitividade e Sustentabilidade, linha de pesquisa Estratégia e Competitividade, APROVADO(A) pela seguinte banca examinadora:

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RESUMO

Cordeiro, Lucas G. (2022). Franquias em espaços compartilhados como solução estratégica para expansão em cidades pequenas (Dissertação). Programa de Pós-Graduação em Administração (PPGA), Universidade Estadual do Oeste do Paraná – UNIOESTE, Cascavel, PR, Brasil.

Este estudo teve como objetivo desenvolver um plano de aplicação a partir da análise de como a implantação de franquias em espaços compartilhados pode resultar em uma estratégia eficaz de expansão em cidades pequenas. A metodologia utilizada foi a análise qualitativa com estudo de caso único. Os dados foram coletados por meio de documentos diversos, pesquisas e informações fornecidas pela rede estudada, confrontando com a base teórica selecionada. A análise do mercado potencial realizou-se por meio dos dados bibliográficos e pesquisas realizadas na base de dados do IBGE. Para a análise de viabilidade econômica, primeiramente elaborou-se duas planilhas de fluxo de caixa, sendo uma para cada formato de franquia da rede estudada. Em seguida, realizou-se os cálculos por meio dos indicadores financeiros: Payback, VPL, TIR e IL. Quanto aos resultados, no que tange ao mercado potencial de cursos livres, evidenciou-se que o formato *shop in shop* possui um grande, e quase inexplorado potencial de expansão para a rede, tanto em cidades pequenas entre 5 e 40 mil habitantes como em cidades maiores. Constatou-se também que há espaço para crescimento em cidades maiores com o formato de franquia padrão. No tocante a análise de viabilidade econômica, evidenciou-se a viabilidade de ambos os formatos de franquia, com o formato *shop in shop* apresentando o melhor desempenho perante o formato padrão. Para finalizar, elaborou-se a proposta de intervenção, com a sugestão de uma nova estratégia de expansão, contemplando ambos os formatos de franquia, embora o foco da estratégia consista na expansão por meio do formato *shop in shop* em cidades pequenas, entre 5 e 40 mil habitantes.

Palavras-chave: Estratégia de Expansão; Franquia; *Shop in Shop*; Cursos; Viabilidade Econômica.

ABSTRACT

Cordeiro, Lucas G. (2022). *Franchise in shared spaces as a strategic solution for expansion in small cities* (Dissertation). Post-Graduate Program in Management (PPGA), State University of Western Paraná – UNIOESTE, Cascavel, PR, Brazil.

This study aimed to develop an application plan based on the analysis of how the implementation of franchises in shared spaces can result in an effective expansion strategy in small cities. The methodology used was qualitative analysis with a single case study. Data were collected through various documents, research and information provided by the studied network, comparing with the selected theoretical basis. The analysis of the potential market was carried out through bibliographic data and research carried out in the IBGE database. For the economic viability analysis, two cash flow spreadsheets were first elaborated, one for each franchise format of the studied network. Then, the calculations were performed using the financial indicators: Payback, NPV, IRR and IL. As for the results, with regard to the potential market for open courses, it was evident that the shop in shop format has a large and almost unexplored potential for expansion for the network, both in small towns between 5 and 40 thousand inhabitants and in cities bigger. It was also found that there is room for growth in larger cities with the standard franchise format. Regarding the economic viability analysis, the viability of both franchise formats was evidenced, with the shop in shop format showing the best performance compared to the standard format. Finally, the intervention proposal was elaborated, with the suggestion of a new expansion strategy, contemplating both franchise formats, although the focus of the strategy is the expansion through the shop-in-shop format in small cities, between 5 and 40 thousand inhabitants.

Keywords: Expansion Strategy; Franchise; Shop in Shop; Courses; Economic Viability.

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SUMMARY

1 INTRODUCTION

The franchise sector has stood out in recent decades, due to its representativeness in the national economy. The strong growth in consumption, the rise of new classes to the market, and the new entrepreneurs looking for their own business, constitute determining factors for the growth of the sector in the country (Lima Junior, Luna & Souza, 2012). In addition, as they are widely tested business models, franchises present themselves as a safer alternative for investors (Ruschel, 2019), which has also contributed to adherence and growth.

In 2020, even with a 10.5% drop in revenue, the Brazilian franchise sector reached a total of R$ 167.2 billion (ABF, 2021), representing 2.26% of the country's Gross Domestic Product - GDP (IBGE, 2021). In terms of number of operations, it ended 2020 with 156,798 franchised units (ABF, 2021), out of a total of 19.2 million companies operating in the country, according to the Brazilian Support Service for Micro and Small Enterprises (SEBRAE, 2021), indicating that there is still a lot of room for expansion.

Although franchise chains in Brazil are still more concentrated in large cities, with more than 500,000 inhabitants (Melo et al., 2020), this scenario has begun to change. Due to the competitiveness of large centers, and the growing demand for new brands in small cities, many franchise chains have already evaluated business models that can be implemented in smaller cities, as well as new expansion strategies focused on the interior of the country (Moita & Guerra, 2012). But there are still many barriers to the advancement of franchise networks in the cities of the interior: such as the difficulty in implementing and maintaining operations in smaller cities, due to limited revenue; seasonality in billing resulting from the possible incidence of idle periods; the lower number of skilled labor, among other factors that may affect the performance of franchised units in these cities (Santos, 2019).

Therefore, the current great challenge for franchise chains is to implement business models that prove to be effective and economically viable in small towns throughout the franchise agreement, to foster new expansion strategies focused on the interior of the country. In this regard, the analysis of the economic viability of investments is fundamental for the sector, as it contributes to the franchisability analysis and to the elaboration of network expansion strategies (SEBRAE, 2016). In addition, it has the purpose of supporting the decision of the investor, in this case the franchisee, who may choose the business format that proves to be the most attractive, from an economic point of view.

One of the segments that has stood out in the creation of new economically viable business formats, and in the implementation of expansion strategies focused on small towns, is educational services. The latest estimates indicate that the segment has approximately 280 franchise chains, totaling more than 16,000 regular companies in Brazil (ABF, 2019). And due to the crisis in the educational area, caused by the COVID-19 pandemic, which forced almost 1.6 billion students to leave their classrooms worldwide (UNESCO, 2020), franchise chains in the educational services segment had to seek solutions to continue growing. The new culture of remote learning that gained strength with the pandemic has also threatened the growth in the number of physical units, creating a new challenge for educational networks, regarding the maintenance of units in operation.

Thus, many educational services franchise networks have developed leaner formats of schools for small towns, with reduced structures, mainly language schools and professional courses. These new school models not only aim to implement new expansion strategies focused on small towns, but also proved to be fundamental to serve the populations of these cities that suffer from a lack of quality courses, such as those found in large urban centers, constituting an important social benefit.

In this sense, this research seeks to understand how the implementation of franchises in shared spaces can result in an effective expansion strategy in small cities and, from there, develop an application plan for networks in the educational segment of open courses.

1.1 CONTEXT OF THE PROBLEM SITUATION

Wit Idiomas e Tec., is a company in the educational sector, in the segment of language and professional courses, created in 2015, due to the vision and experience of its founder. At that time, the founder already had about 10 years of experience in the educational sector as a franchisee of another now extinct brand, when he decided to open his first private-label school, in the city of Marechal Cândido Rondon, west of Paraná. The school, which was started with an innovative proposal for the time, soon aroused the interest of one of its teachers who made a purchase proposal, and the founder decided to sell it, in May of that year.

Even with the sale of the school, the founder remained the owner of the brand, which had registered with the National Institute of Intellectual Property of Brazil – INPI/BR. It was up to the new owner to create and develop a new name for her school. In this way, the entrepreneur was able to set up a new school using the same brand in the city of Toledo-PR, which was already interested because it was a larger city. The new school, which was operated by the founder himself, became the center for tests and adaptations in the brand formatting project that, since its inception, had been created with a view to the national franchise market.

In 2016, 2017 and 2018, there was a large concentration of investments in improving processes and training entrepreneurs. The business model was taking shape for the franchise market. And the entrepreneur continued to prepare himself, carrying out competitive and consumer market research inside and outside Brazil, participating in courses and events in the franchising sector, and receiving help from consultants and franchising specialists. It was at this time that the founder felt the need to start testing operations in cities with smaller populations. Thus, in July 2017, two new schools were created, in the municipalities of Cafelândia and Nova Aurora, also in the western region of Paraná, with about 17 thousand inhabitants and 11 thousand inhabitants, respectively. Until then, these two operations were just tests to prove their effectiveness in small towns. Meanwhile, customer response evidenced the viability of the business model. With a well-adjusted value proposition and an effective method, more and more people tested and approved their certifications, gaining prominence in the region as one of the main companies in the open courses segment.

In 2019, the brand expanded its network, with 5 more own schools in cities with less than 30 thousand inhabitants, which were also operated by the brand founder. That year was crucial for the completion of the teaching method and business formatting for the franchise system. With the business model ready, and the expansion project well adjusted, the entrepreneur decided to participate in the Entrepreneur Fair 2019, an event that took place in October of that year, promoted by the Brazilian Micro and Small Business Support Service – SEBRAE/BR. The objective was to add experience in participating in events aimed at the entrepreneurial public and in the commercialization of businesses, in order to make the last adjustments to its model and invest in the dissemination and sale of franchises in the following year. Also in 2019, the franchising company's office was set up, which would serve to receive franchisee candidates, who should begin to emerge with the beginning of the disclosure.

The brand's differentials were also evident, both for its consumer public and for those interested in acquiring a franchise. For its students, the differentials consisted of the innovative English method, based on the concept of an inverted classroom, and the club-style environment, with several attractions for leisure and entertainment for young people. And the main differentiator for franchisee candidates was the lean and well-adjusted business model to obtain the highest percentage of profit, compared to other brands.

At the beginning of 2020, between the months of January and March, the founder's plans were to carry out the first back-to-school disclosures and to complete the training of its new directors, who managed their own schools, so that they could leave their position as director of their units and become director of network expansion. In the meantime, I would make the last adjustments in the franchising company's office and hire one person for the position of administrative assistant, who would also assist in supporting the first franchisees who entered the network, and another person for the position of expansion assistant, who would assist in the dissemination and in the first contacts with franchisee candidates.

However, with the impacts caused by the COVID-19 pandemic, these plans were postponed indefinitely, until they were completely replaced between the end of 2020 and the beginning of 2021. During this period, many adjustments had to be made adaptation the teaching methodology, reduction in the staff of some of the schools, adaptations in space to meet the restrictive measures, adaptations in marketing actions, in the commercial department and in the marketing strategies of the services. It reached a point where the businessman realized that there would be no return to the state known as “normal”.

In addition to adjusting various aspects of the business, the founder also did a lot of research in other schools and other networks and sought to know how the franchise market in the educational area had been behaving during the pandemic. Realizing that it would have a lot of difficulty implementing its expansion strategy in that period, as schools and networks had been suffering a lot from the crisis, and there was no way to know how long the pandemic would still last or for how long its reflexes would still affect their business, decided to cancel the old expansion plan and close the franchisor's office at the end of 2020. At that time, it seemed safer to focus on schools that were already in operation.

Focusing again on his schools, the entrepreneur decided to monitor and evaluate each one of them individually. And it was by analyzing its operations, comparing the risks and return expectations of each city, that the founder realized something that seemed to be a solution to the problem of the expansion strategy. He evaluated the behavior of operations in small towns, which had a reduced format, generally still in a test model similar to the shop in shop and compared it with full-structure schools in larger cities that required a larger structure and, consequently, a maintenance cost and a higher breakeven point. And he realized that: operations in smaller cities did not require a very high investment; suffered less from the crisis; had less seasonality in billing; and the risk was much lower than in operations in larger cities.

As soon as it found that schools in cities with less than 40,000 inhabitants offered less risk and continued to make a profit, while its parent company based in a city of approximately

130,000 inhabitants was already at the limit or even below the break-even point for several months, decided to dig deeper into business models for small towns and find out what competing school networks were doing to expand in those towns. After several studies and calculations, the entrepreneur made the decision to test a different business model: increase the number of schools in small towns, in shop in shop and microfranchise formats, implementing new units even during the pandemic.

The new business model consists of the implementation of franchises in shared spaces, in cities with up to 40 thousand inhabitants. The name In-School was given to the new format, to define the implementation of these operations of reduced structure, in shared spaces, but with the difference of establishing lease contracts with permanent use of a room within commercial associations, or private schools of regular education or even private colleges. Also called incubated schools, this format follows the trend of the well-known shop-in-shop model, which consists of implementing franchised units within other establishments (Amendoeira Junior et al., 2021). According to the founder, this type of operation had already been studied at other times, just as a way to start a venture in a small town, to later constitute a standardized school with a complete structure, but never as a permanent alternative for a franchise, much less with intention to expand the network through this model.

1.1.1 Research Question

How franchising in shared spaces can result in an effective small-town expansion strategy?

1.2 GOALS

1.2.1 General

Develop an application plan based on the analysis of how the implementation of franchises in shared spaces can result in an effective expansion strategy in small cities.

1.2.2 Specific

a) Characterize the potential market for free course franchises in Brazil;
b) Carry out economic feasibility analyzes of the different franchise models of the Wit Idiomas e Tec. network, comparing operations in shared spaces (shop in shop) with operations in exclusive spaces (standard franchise);
c) Prepare the intervention proposal for the implementation of a new expansion strategy for the Wit Idiomas e Tec. franchise network.

1.3 JUSTIFICATION AND CONTRIBUITION OF TECHNICAL PRODUCTION

This study is justified by the importance of investigating the economic feasibility of implementing franchises of different formats in the same network, and its relationship with the alignment of expansion strategies adopted by the respective franchising companies, especially with regard to the advancement to small cities in the interior of the country. Studies related to the topic indicate that of the 5,570 Brazilian municipalities, only 48% have franchises (ITA, 2021). And of this amount, 75% are concentrated in capitals and metropolitan regions (Melo et al. 2020). Considering that approximately 4,700 Brazilian municipalities have a population of less than 40 thousand inhabitants (IBGE, 2021), it can be said that most cities that still do not have any franchise are in this group of smaller cities, indicating an opportunity for growth for franchising networks.

There are some barriers that still need to be broken by new franchise formats, such as the high real estate cost, identified as one of the main limitations for the implementation of franchises in smaller cities (Moita & Guerra, 2012). However, the creation of reduced business formats for franchises, such as shop in shop franchises and micro-franchises – or mini-unit franchises that have a lower investment, often not requiring an exclusive commercial point – in which the franchisee himself is the main operator (Mauro, 2006; Fairbourne, Gibson & Dyer, 2007; Melo Borini & Cunha, 2014; Schnell et al., 2019); Amendoeira Junior et al., 2021), can be an opportunity for new investments (Moita & Guerra, 2012), as well as for the formulation of new strategies for expanding networks in small towns.

On the other hand, the franchising networks of open courses have difficulties in installing themselves in smaller cities, due to the imbalance between the operational cost and the adequate pricing of services for these cities where the average income of the population is relatively lower than in larger cities. In this way, the implementation of franchise models that can be adapted to small cities is essential for the sector to continue growing in a healthy way and, at the same time, to contribute to the training of millions of people who inhabit these poorest cities, constituting a true social benefit.

Regarding the educational area, this research is also justified by its importance: for franchise networks in the open courses segment, which need strategic formats and solutions that allow expansion to the interior of the country; for residents of small towns who suffer from the lack of supply of this type of service; and for the local economy of the affected cities, which need skilled people in the labor market.

For entrepreneurs and investors interested in franchising, either as a distribution channel for business expansion or as an alternative for franchising investment, the present study contributes by discussing the importance of analyzing the economic feasibility of investments in the franchise sector. The use of economic feasibility tools in this study suggests the discussion in the sector so that the franchisee can make the best investment decision-making, through a broader view of the business formats and franchise models available.

Regarding the scientific contribution, no specific studies were found on the implementation of network expansion strategies in small cities, especially from the perspective of the economic viability of business formats for franchising models in shared spaces, in shop in shop formats. and microfranchises. Thus, this work is justified by the importance of analyzing the implementation of franchises in shared spaces, of the network of free courses Wit Idiomas e Tec. from the country.

On the other hand, the franchising networks of open courses have difficulties in installing themselves in smaller cities, due to the imbalance between the operational cost and the adequate pricing of services for these cities where the average income of the population is relatively lower than in larger cities. In this way, the implementation of franchise models that can be adapted to small cities is essential for the sector to continue growing in a healthy way and, at the same time, to contribute to the training of millions of people who inhabit these poorest cities, constituting a true social benefit.

1.4 STRUCTURE

This study is organized into seven chapters. The first is the introduction to the proposed theme, contextualizing the situation of the franchising sector and the implementation of expansion strategies for small cities, especially in the educational services sector. Then, the context of the problem situation of the Wit Idiomas e Tec. franchise network is presented, as well as the research problem, the general objective and the specific objectives, being finalized with the justification and contribution of the technical production. Chapter 2 presents the theoretical framework, being subdivided into six subsections: definitions and the emergence of franchising theory; strategy and expansion of franchise networks; franchises in the segment of open courses; corporate space sharing and shop in shop franchises; analysis of economic feasibility of investments; similar experiences in Brazil and in the world. Chapter 3 comprises the research methods and techniques used in the study. In chapter 4, the analysis and interpretation of the results are presented. Finally, chapter 5 presents the final considerations.

2 THEORETICAL AND PRACTICAL REFERENCES

This chapter presents the theoretical and practical framework that supported this research.

2.1 DEFINITIONS AND THE EMERGENCE OF FRANCHISING THEORY

The definition of franchise can be found in Brazilian legislation, in Law n. 13,966, of December 26, 2019 (Brazil, 2019), which revoked Law no. 8,955 of 12/15/1994 (Brazil, 1994), providing for the business franchise system, and regulating the sector in the country. The legislation, as well as several authors, defines franchising as a system in which the franchisor grants to the franchisee not only the right to use the brand or patent, but also the right to exclusive or semi-exclusive distribution of the associated products or services and, eventually, also the right to use the technology for implementation and business administration, or operating system developed by the franchisor, through direct or indirect remuneration, without this characterizing a consumption relationship or employment relationship in relation to the franchisee or its employees (Brazil, 1994). ; Mauro, 2006; Santini & Garcia, 2011; Ribeiro et al., 2013; Brazil, 2019; Santos, 2020; Amendoeira Junior et al., 2021). The explanation is that a business is franchised when its owner makes it free, grants it, gives access, grants it and enables a third party, called “franchisee”, to reproduce it in other places (Guetta et al., 2013).

In this way, the franchise is a training set composed of: brand; rights; knowledge and services that the franchisee receives to implement and operate the business according to the molds established by the franchisor (Guetta et al., 2013). The “franchisor” can be understood as the individual or legal entity, owner of the brand and holder of knowledge, while the “franchisee” is the one who buys the concession to operate one or more units of the network (Barroso, 2002) . And franchising is a system in which a franchisor, with a formatted and tested business package, establishes a contractual relationship with third parties, the franchisees, under the franchisor's trademark, to market and/or reproduce goods and services in accordance with the established standards (Stanworth et al., 2004; Sister, 2020).

The emergence of what we know today as a franchise still divides the opinion of authors on this topic. The most published hypothesis is that it emerged in the 19th century, around 1850, in the United States of America, when a sewing machine industry first implemented a rudimentary franchise format (Silva & Azevedo, 2012; Ribeiro et al., 2013). But there are studies that indicate the emergence during the Middle Ages, in France, where the word franc meant the privilege to the nobles of keeping a part of the values charged from the peasants, passing on the rest to the clergy (Santos, 2020).

The history of franchising development in Brazil and in the world is widely known, as can be seen in several works and scientific works by national and foreign authors, such as: Maitland (1999), Cherto et al. (2006), Mauro (2006), Combs et al., (2011), Sherman (2011), Silva and Azevedo (2012), Silveira (2012), Ribeiro et al. (2013), Edger and Emmerson (2015), Jess (2018), Dias (2019), Nunes (2019), Santos (2020), Redecker (2020), Sister, (2020), Amendoeira Junior et al., (2021). Frame 1 shows the franchising timeline according to the literature on the subject, with the main events and changes over time:

DATE	EVENTS/CHANGE
During the middle ages	Origin of what we know as franchising, in France. There are indications that the Catholic Church and the nobles of the time used something similar, through taxation and the granting of letters of franchise (right of commercial exploitation at the time). In addition, the Frankish cities were those that offered privileges in exchange for service. The payment of royalties possibly had its origin at this time.
Around 1840	German brewery Spaten-Franziskaner-Bräu granted sales rights to local taverns in exchange for payment for use of the trade name.
Between 1851 and 1852	First model similar to the current franchise system, with the Singer sewing machine industry in the USA.
1980s to 1940s	New companies are attracted by the franchising system, especially manufacturers like: GM, Ford, Coca-Cola. The first initiatives of service companies such as Hertz Rent a Car and A&W appear; In Brazil, the first sign of franchising appears, with the transfer of the use of the sign "Calçados Stella" to commercial representatives, for the identification of their establishments, around 1910.
1950s	Mc Donald's, Burger King, KFC, Dunkin'Donuts and others were created. There was a Franchise Explosion in the US after World War II.
1960s	There was a debugging of specific legislation on franchises in the USA. It started the movement in Brazil, where the main pioneer brands were from the educational services sector: Yázigi and CCAA.
1970s	American franchises began the process of internationalization. In Brazil, brand and product franchises predominated, such as: car dealerships, fuel resellers and beverage bottlers.
1980s	The Brazilian Franchising Association (ABF) was created in 1987. Franchising explodes in Brazil.
1990s	Service franchises are starting to stand out in Brazil. Approval of the first Franchise Law in Brazil, Law n. 8,955/94. Creation of the World Franchise Council (WFC), in 1994. Creation of the Sectorial Chamber of Business Franchise by the MICT (1997-2000)).
2000s	Greater professionalization of national franchising. Beginning of the internationalization movement of Brazilian networks.
2010s	Explosion of Brazilian franchises abroad, with greater professionalization of national franchising. Technological changes in recent years have boosted the sector to grow and improve processes.

Frame 1: Franchising timeline: main events and changes
Source: Prepared by the author (2022).

Since the emergence of the first franchises, franchising has undergone a long development, and currently they can be classified in several ways. The first way of classifying franchises is in terms of their generation, which corresponds to the degree of maturity of the franchises, in terms of integration and commitment between franchisor and franchisee for the success of the network (Mauro, 2006; Silva & Azevedo, 2012; Nunes, 2019). ; Santos, 2020; Amendoeira Junior et al., 2021). There is no consensus on which generation we are currently experiencing, nor on the possible dates of emergence of each generation of franchising, but it is known that first-generation franchises are those that aim only at the brand and the product, and the more advanced it is. the generation, the greater the degree of intelligence and commitment between franchisor and franchisees as the success of the network.

As for the current generation, some authors indicate that we are in the fourth generation, as stated by Nunes (2019). Others on the farm, as stated by Mauro (2006), Silva and Azevedo (2012) and Santos (2020). And there are those who claim that Brazilian networks are already entering the seventh generation of franchising, as explained by Amendoeira Junior et al. (2021). It turns out that a new generation emerges every time there is a disruptive change in the industry. However, although Brazil occupies the fifth position among the most developed franchising countries (ITA, 2021), it can be seen that the current generation of the franchise system may differ depending on the maturity of the sector in each country.

.The second way of classifying franchises is based on the remuneration received by the franchisor, which can be: distribution franchise, where the remuneration is based on the profit of the products and services sold; mixed franchise, in which the franchisor receives fees plus a percentage on the sale of products or services; pure franchise, in which the remuneration is through the rates established in the Franchise Offering Circular; and conversion franchising, in which rates can be negotiated as these are operations in which the new franchisee already has know-how and can add to the franchisor's business, promoting advantages and bringing benefits to both (Mauro, 2006; Amendoeira Junior et al., 2021).

The third classification of franchises concerns the limits of activity (in terms of occupation), being: unitary, where each point of sale is operated by a different franchisee; multiple, where a franchisee can operate several franchised units of the same brand; regional, where the franchisor grants the franchisee the right to explore a region, being able to open more than one unit in different locations within the established region; master franchise, which is when the franchisor grants a franchisee or group of partners the right not only to operate a region, but to sub-franchise in that region; and area development franchising, which are those in which, like master franchises, they can sub-franchise, but which also have the duty to develop the area of operation granted by the franchisor (Mauro, 2006; Amendoeira Junior et al., 2021).

The fourth way of classifying franchises is by activity, being: commercial, which is the most common model, as it seeks to expand the supply of consumer products; services, which are as common as commercial ones, seek to expand the provision of services; commissioned franchises, are those in which franchisees are also remunerated for the sale; industrial, are the franchises granted from manufacturer to manufacturer, for the production of branded products; public franchise, is an innovative concept in which the public power can increase its performance through public-private partnerships, with the concession of franchises for the private sector, for the provision of public services; social franchising, aimed at the third sector, for non-profit institutions that already have a brand known for providing a social benefit, may grant the right to other entities to do so; and combined franchise, which consists of operating more than one franchise in the same location, by the same franchisee, taking advantage of the synergy between the businesses (Amendoeira Junior et al., 2021).

And the fifth and last classification is given by the model, or physical size of the store, also known as store format (Mauro, 2006; Sherman, 2011; Dias, 2019; Amendoeira Junior et al., 2021). Frame 2 shows the store models:

FRANCHISE MODEL/FORMAT	CONCEPT
Physical Store	It consists of the most common format, found in most cities where franchising operates. The physical store is a fixed franchise model, developed for an exclusive space, whether owned or rented.
Kiosk	The kiosk is a mobile store model, designed for smaller spaces and usually installed in the corridors of shopping centers and malls.
Shop-in-Shop or *Store-in-Store*	The Store-in-store concept encompasses franchises that are installed inside a physical store of another brand, with the intention of taking advantage of the partner's clientele and reducing costs.
Home Based	It is the model to be installed at home, without the need for a commercial point. It is a model that became very popular with the arrival of the pandemic.
Food Truck	Basically adopted by the food sector, it consists of the mobility of the store, and can be developed in different places, according to the franchisee's needs or wishes. In other words, it is the store that goes to where the customers are.
Microfranchise	Also called a minifranchise, it is a reduced franchise format, with investments of less than R$100,000, created for small investors whose capital and location do not allow for a greater investment.
Direct sales franchise	It is characterized by the direct sale of the franchisee to the consumer, without the need for a commercial point. In this model, the franchisee is the seller himself and can serve alone, at home, by catalog or in his own office.
Virtual or digital franchise	They usually have the same treatment as physical stores, with the difference that they do not need a physical space. Most digital franchises work in the area of digital marketing and customer acquisition, where the franchisee operates in the operation of platforms provided by the franchisor.
Delivery franchise	This franchise model operates in the logistics of distribution of ready-made products, such as those that work with restaurants.
Vending machine franchise	This is the franchise of machines for delivering food, drinks and/or objects. Often in mini-franchise format.

Frame 2: Franchise models
Source: Prepared by the author (2022).

In this way of classifying franchises in terms of the model/size of the store, it is also possible for the same franchise to have more than one classification: for example, a franchise in the home based model, which has an investment of less than R$ 100 thousand, characterizing it as a microfranchise. Other smaller formats can also be characterized as micro-franchises or mini-franchises.

2.2 STRATEGY, *FRANCHISING* AND EXPANSION OF FRANCHISE NETWORKS

The term strategy has its Greek origin, from the word “strategos”, which refers to a war plan, that is, a design of how soldiers will act, individually and collectively, towards the intended objective (Clausewitz, 1976). Although its Greek principles have been used for centuries by modern thinkers and practitioners in areas such as government, diplomacy, military, business and sports (Quinn & Voyer, 2006), the first works on strategy appeared only in the 1960s. (Villar et al., 2017). Over the years, several works and works have been published on the subject, under different theoretical aspects and typologies of strategy, as highlighted in Frame 3, adapted from Whittington (2002):

Decade	Strand of strategy	Main authors	Purpose of strategy
1960s	Classic strategy	Chandler, Andrews, Ansoff e Porter	Profit
1970s	Evolutionary strategy	Hannanm Freeman, Williason e Aldrich	Survival
1960s and 1970s	Procedural strategy	Mintzberg, Quinn, Pettigrew, Cyert e March	Satisfaction of diverse interents
1980s and 1990s	Systemic strategy	Whitley e Granovetter	Cultural, social and political factors
1990s	Strategy as practice	Whittington e Jarzabkowski	unconsolidated

Frame 3: Theoretical aspects of strategy
Source: Adapted from Whittington (2002).

Although there are currently several theoretical conceptions and definitions of organizational strategy (Villar et al., 2017), and there is no consensus on what is an appropriate strategy or how to arrive at it (Barney & Hesterly, 2007), the book " Good strategy X bad strategy", written by Richard Rumelt (2011), explains that a good strategy should not be based only on strengths, also called advantages; it must generate strength through the coherence of its conception. Furthermore, a strategy must contain three fundamental elements: a diagnosis of the challenge; a policy guideline to address the challenge; a set of coherent actions to guide the policy (Rumelt, 2011).

With regard to franchising strategy, it is worth noting that senior management is responsible for making decisions that guide the organization towards its chosen objectives (Eisenhardt et al., 1997; Hambrick & Mason, 1984). And one of the most important strategic decisions that organizations make is related to distribution channels, with the franchise system as one of the options (Silva & Azevedo, 2012). Thus, starting from the point where strategy "is the path to be followed that will lead the company to achieve its objectives" (Ribeiro et al., 2013, p.36), franchising can be understood as the very strategy of expansion to be implemented by entrepreneurs who aim to expand the performance of their business, whether nationally or internationally.

The company that intends to franchise must carry out the strategic planning of its business, evaluate the environment and develop alternatives for healthy growth (Mauro, 2006), having franchising as a cooperation strategy at the corporate level (Hitt, Ireland & Hoskison, 2008). Because franchising is a successful distribution channel (Amendoeira Junior et al., 2021), which aims at rapid business expansion (Ribeiro et al., 2013).

However, the system is not infallible and can be affected if there is not adequate planning, and necessary investments in formatting the business before starting the expansion (Silveira, 2012), as it is not merely a strategy, but also a model of doing business. business (Ribeiro et al., 2013). In other words, care must be taken not to confuse the franchising adopted as a distribution and network expansion strategy with the marketing strategy of expansion designed by the franchisor; with the business itself being operated by the franchisee, which also requires strategies (Mauro, 2006). In addition, franchisees are fundamental to the success of the chain, as their experience, performance and success will promote improvements in the business model, as well as the growth of the chain (Santini & Garcia, 2011). In this set, considering a changing and uncertain environment, the management of a franchise network requires the franchisor to be able to consider all the variables that involve thinking and formulating strategies (Tres et al., 2015).

Several authors point out the advantages and disadvantages of the franchising system, both for the franchisor and for the franchisee (Tres et al., 2015). The main advantages for entrepreneurs who intend to expand are the speed in the network expansion process, the reduced cost of expansion, the strengthening of the brand, the more efficient strategic coverage of the geographic space by the brand, the absence of the employment relationship between the franchisor and the franchisee and its employees – including during training – and economic scalability (Merlo, 2000; Cherto et al., 2006; Mauro, 2006; Rocha, 2010; Silva & Azevedo, 2012; Ribeiro et al., 2013; Santos, 2013; 2020; Amendoeira Junior et al., 2021). While the main disadvantages for the franchisor are the high costs of network supervision, only partial control of the operation, the lower profit due to the large part being with the franchisee, disputes between franchisees, among others (Merlo, 2000; Mauro, 2006; Patrick, 2007).

The franchisee has many advantages in acquiring a franchise, such as the use of operating systems developed by the franchisors, opening and operation under a recognized brand, economy of scale, support and administrative support throughout the operation, from the pre-inaugural phase, risk reduced by operating a tested business, among other advantages (Merlo, 2000; Mauro, 2006; Patrício, 2007; Ribeiro et al., 2013; almond tree Junior et al., 2021). As for the disadvantages of becoming a franchisee, compared to opening a business with its own brand, it can be related to reduced autonomy in management, the obligation to respect the limits established by the franchisor regarding the mix of products and/or services, and little flexibility in most processes (Merlo, 2000; Mauro, 2006; Patrício, 2007).

2.2.1 Expansion: Growth of franchise networks

Expansion is a natural process of organizations and must be done in a planned way, preferably in circles, opening the market from an outside point (Mauro, 2006). That is, it must be planned in an orderly manner, such as, for example, in a spiral format, from the inside to the outside of the head office's area of operation, without taking too long “jumps” between units (Santini & Garcia, 2011). Ideally, network expansion should be slow at first, so that the franchisor can correct course while the network is small, to accelerate growth from the second and third year onwards, when it can grow exponentially (Mauro, 2006) .

A determining factor in the success of expanding a franchise network in small towns is the selection of the ideal franchisee (Ribeiro et al., 2013; Amendoeira Junior et al., 2021). After all, it is the franchisees who will be at the forefront, delivering the brand's products and services to end customers (Santini & Garcia, 2011). Therefore, the network expansion strategy must be oriented towards the search for the ideal franchisee. And it is up to the franchisor to choose franchisees who have the same core values and are engaged with the business (Gikonyo, Berndt & Wadawi, 2015).

It should be noted that franchisees are of fundamental importance in the expansion process, as they constitute the greatest social proof that the business works, in addition to being role models for candidates to join the network. That is why it is important that the franchisor is concerned with the business strategy and with the support of the network, and not just with the expansion of the brand (Mauro, 2006). Because when the franchisee buys a unit in the franchise system, he expects to have profitability and support from his franchisor (Grace et al., 2016). The perception of lack of support and profitability, and the feeling of abandonment, generate a feeling that the franchisor is an enemy that must be fought and not a partner (Aguiar, 2018).

Therefore, an effective expansion strategy must consider franchisees as the main drivers of the network, because in addition to bringing aggregating experiences and intelligence to the network, they also help the network to grow with the implementation of new units, with the indication of new candidates. franchisees, and with the validation of the business model, in addition to the dissemination and consolidation of the brand. And it is not enough to open units indiscriminately, because it is the market who must determine the demand (Mauro, 2006).

2.2.2 Expansion into small towns

Historically, medium and small cities have difficulties in attracting investments in generating employment and income, which has caused a lot of damage to local communities, in which many people have to move to other municipalities to work (Felix & Farah Junior, 2013). This happens due to the prioritization of projects in places where there is a large population concentration (Barringer & Greening, 1998). The problem of the unattractiveness of smaller markets has consequences for development and supply, depriving these populations of some types of products and services that are found only in larger cities; and this consumption potential, often unexplored, can be taken advantage of by franchise chains (Melo et al., 2020).

Melo et al., (2020), aimed to analyze the attractiveness of the markets in the interior of Brazil for franchise chains, showing that the socioeconomic and human resources factors of the municipalities are fundamental for attractiveness, while the geographic distance was not relevant. However, the authors suggest the creation of business models that can serve these cities.

As trends for this next decade, it is believed that in the coming years there will be even greater growth in the sector, which has proven to be effective, even in the face of the economic complications caused by the COVID-19 pandemic (ABF, 2021). Franchises are seen as a "safe haven" for investors, as they are tested businesses and established brands in the market (Griebler, 2020). Although the market in question is composed of small cities, it is up to the franchising networks to create business models that allow the implementation of units with operational security (Melo et al., 2020).

Thus, for a successful expansion strategy in small cities, it is essential that the franchisor carries out an analysis of the potential market, to which it intends to expand its brand, taking into account the number of units that the chain can reach, where they should be located, and in which cities and neighborhoods (Mauro, 2006). The definition of the brand positioning is fundamental for the expansion, as it will guide the strategy adopted. After all, it is necessary to know where the network wants to go with the expansion (Ribeiro et al., 2013).

2.3 MICROFRANCHISES AND THE SHOP IN SHOP MODEL IN BUSINESS

Several authors conceptualize microfranchises, as well as the shop in shop model, such as: Fairbourne (2006), Silva and Azevedo (2012), Silveira (2012), Ribeiro et al. (2013), Melo et al. (2014). Edger and Emmerson (2015), Jess (2018), Dias (2019), Nunes (2019), Santos (2020), Redecker (2020), Sister (2020), Amendoeira Junior et al. (2021). By definition, micro-franchises are low-investment models that, in many cases, do not require a physical space, with the franchisee as the main operator; while in the shop-in-shop model there are no investment parameters or defined store size, but they use spaces inside other establishments and are generally smaller operations with reduced costs.

The microfranchise system emerged in the 2000s, with a proposal for low-investment franchises aimed at the emerging middle class (Melo et al., 2014). In the academic world, the first publication was the article by Fairbourne (2006), and the topic is still little explored. As basic characteristics, most micro-franchises are in the service segment and there is no requirement for a commercial point, in which the franchisee is the main operator, requiring few or no employees (Fairbourne, Gibson & Dyer, 2007). And because it is a relatively new model, it is still in the formation stage as a business model (Melo, Carneiro-Da-Cunha & Borini, 2018).

Shop in shop franchises, also called store in store, are older, originating from the first generations of franchising, and are characterized by brands that sell their products or services within a physical space of another company, but that normally has some connection with the franchised brand's market segment (Albergaria, 2021). According to Amadieu et al., (2013) and Jerath and Zhang (2010), this model is generally implemented within the same owner's operations, which intends to offer complementary products or services to its customers. But lately, it has been adopted as a growth strategy, with a view to reducing operating costs (Nunes, 2017).

The biggest advantages of the shop in shop model are in the division of costs such as rent, water consumption, energy, among other costs of the shared operation (Nunes, 2017). In addition, the “store within a store” model helps entrepreneurs keep their business full at all times and still offers convenience to customers (Lira, 2014). And considering that this model proposes initiatives that strengthen the franchise system, based on a good relationship with the franchised partner, there are no conflicts of interest and growth takes place in a sustainable way (Nunes, 2017).

The similarity and volatility of these models can facilitate the convergence between them, although no studies have been found that prove this type of experience. This is what the founder of the Wit Idiomas e Tec brand is betting on, who sees an opportunity for expansion to small cities, with the formatting of a lean business model uniting the two franchise models: within the concept of low investment and franchisee itself, which are characteristics of microfranchises; and the low costs and the possibility of operating within a space that offers advantages such as the fact that it is already frequented by its public, provided by the shop in shop model.

2.4 ECONOMIC FEASIBILITY ANALYSIS OF INVESTMENTS

Any undertaking, be it implantation or expansion projects, or the constitution of a company, industry, commerce, services, among others, may constitute an object of economic feasibility analysis (Hirschfeld, 1987). It is necessary for the entrepreneur to know the value of money at the time the investment is projected, as it can be reasonably long periods (Garison et al., 2012; Serafim Junior et al., 2018). In this sense, an economic-financial feasibility analysis is essential, as it is a calculation that considers the time and money invested in a business, demonstrating the likely result over time (SEBRAE, 2019).

The economic feasibility analysis of a project or investment requires some input data, such as cash flow and the definition of a Minimum Rate of Attractiveness – TMA (Gitman, 2010; Assaf Neto, 1992; Damodaran, 1997). Calculations are performed using formulas widely found in the literature. The conceptualization of the main calculations and feasibility indicators can be seen in Frame 4, built according to the main national and international authors on the subject, such as: Damodaran (1997; 2009; 2012), Gitman (2010), Assaf Neto (1992) ; 2012), Hastings (2013), Groppelli and Nikbakht (2002), Hoji (2012), Hirschfeld (1987; 2010), Casarotto and Kopittke (2007), Samanez (2001; 2007), Clemente and Souza (2008), Lima (2009), and Leismann (2016).

MARR	Minimum Attractive Rate of Return	It is the minimum rate (percentage) expected by the investor, also configuring the acceptable opportunity cost. The definition of a MARR must consider the risks involved in the implementation, as well as how much the invested amount would yield in another project.
NVP	Net Present Value	It is a method of investment analysis that compares the present value of future cash flows with the initial cost of investment.
ANVP	Annualized Net Present Value	Similar to NPV, with the difference that the amounts are separated periodically or annually.
IRR	Internal Rate of Return (IRR)	Corresponds to the discount rate (percentage), equating the present value of future cash flows to the initial investment. The IRR must be greater than the MARR for the project to be viable.
PAYBACK	Time to return on investment	It is the term, or time required for the return on investment to occur. In addition to the common payback, it can also be calculated by discounting the rate of return.
PI	Profitability Idex	Constitutes the representation (percentage) of net income, in relation to revenues.
ROIA	Additional Return on Investiment	It is used to find out how much the investment has yielded financially, given the amount invested.
MIRR	Modified Internal Rate of Return	It is able to get closer to the financial reality of the project, as it takes into account the cost of invested capital.

Frame 4: Most used methods of economic viability of investiments
Source: Prepared by the author (2022).

The feasibility analysis can be done with the adoption of probabilistic and deterministic methods, and the probabilistic ones allow a better observation of the risks of not obtaining the expected return, in addition to allowing the definition of strategies to avoid them (Felipe & Leismann, 2019). By presenting combinatorial results, based on certain properties, built on an interval of probabilities of expected scenarios (Alon & Spencer, 2004), the probabilistic method is the most suitable.

2.5 SIMILAR EXPERIENCES IN BRAZIL AND THE WORLD

In order to carry out the present study, several searches were carried out in the bases of theses and dissertations and of national and international journals, with the objective of finding previous studies that had similarities. No previous studies were found that addressed the topic of "economic feasibility of implementing franchises in shared spaces as a strategic solution for expanding networks". However, previous studies by the authors were found: Combs and Ketchen Junior (2003), Tres et al. (2015), Melo et al. (2014), Melo et al. (2018), and Amadieu et al. (2018); from other perspectives and which were considered for this study, as they address relevant aspects of this research.

The first study relevant to this research is an article by Combs and Ketchen Junior (2003), entitled “Why do firms use franchising as an entrepreneurial strategy?: a meta-analysis”, which carried out a meta-analysis on the scientific production of the franchising, with the aim of finding out why companies franchise. One of the most relevant conclusions for the present research is that “franchisors can use different types of franchisees to solve different problems”, which elucidates the strategic proposal of the studied network in opting for different franchise models that will accommodate different franchisee profiles. in the most diverse Brazilian cities.

Regarding the process of formulating strategies in franchising, most of the works found approach the theme from the perspective of internationalization. One of the few studies that address aspects relevant to this study is the article by Tres et al. (2015), entitled “Strategic formulation process in a pharmaceutical sector franchise network”, in which the authors sought to identify how the strategy formulation process occurs from the perspective of the individual in a pharmaceutical sector franchise network. As a result, they confirmed the existence of paradoxes in the strategic process, suggesting that executives formulate predominantly creative, emergent strategies and that there is a balance between evolutionary and revolutionary changes. Suggestions for future work were the investigation of strategic formulation from the franchisor and franchisee perspective, including franchises in other sectors. It was also recommended to investigate the strategic formulation profile of franchisees in comparison with the profile sought by the franchisor according to the Franchise Offer Circular.

Regarding microfranchises and their relationship with the expansion to small towns in the interior of the country, the searches revealed that national scientific production is even more scarce. As stated by Melo et al. (2018), there are only three studies that make comparisons between conventional franchises and microfranchises. Regarding the interests of this study, only two articles were selected: the articles by Melo et al. (2014) and Melo, Carneiro-da-Cunha and Borini (2018).

The article by Melo et al. (2014), entitled “Perceptions of value and structuring elements of microfranchises”, aimed to identify whether there were differences between microfranchises and conventional franchises in view of the structuring elements of the franchising system. A total of 1090 conventional franchise chains and franchise chains that operate by microfranchises were analyzed, where it was proved that there are differences in the perception of value regarding the franchise network brand, and that there are no differences in the perception of franchisee support. However, as it is a 2014 study, a time when there was an evident separation between conventional networks and micro-franchise networks, the results do not portray the current era, in which many conventional networks also offer the format of micro-franchises. While the article by Melo, Carneiro-da-Cunha and Borini (2018), entitled “Brazilian microfranchise networks: entrepreneurs’ experiences and perceptions of brands and support”, aimed to analyze how microfranchisees’ backgrounds influence their perceptions of franchisors’ support. and the brand. The results suggested the influence of the “honeymoon period” on brand perceptions and support and the lack of skills to manage the business.

The search for national scientific studies related to the shop-in-shop franchise format was not successful. Some international works on the shop-in-shop format were found, highlighting the research by Amadieu et al. (2018), under the title “Financial performance of store-within-store strategy in the French fashion industry”. The authors analyzed the financial aspects of why some retail chains operate shop-in-shop stores. And they found that expanding a network by the shop-in-shop model is not only a financially constrained expansion strategy, but should be considered the first and best expansion strategy, when a retail company has intangible resources to value, but limited tangible resources. Thus, studies by Amadieu et al. (2018), contribute to the present study by highlighting the perspective that an expansion strategy based on the shop in shop franchise model should not be implemented only as a second option, but as the main strategy, according to the characteristics and network goals.

3 METHODOLOGY

In this chapter, the methodological procedures used to carry out the present study are presented, as well as the proposed model for conducting the same, shown in Figure 1.

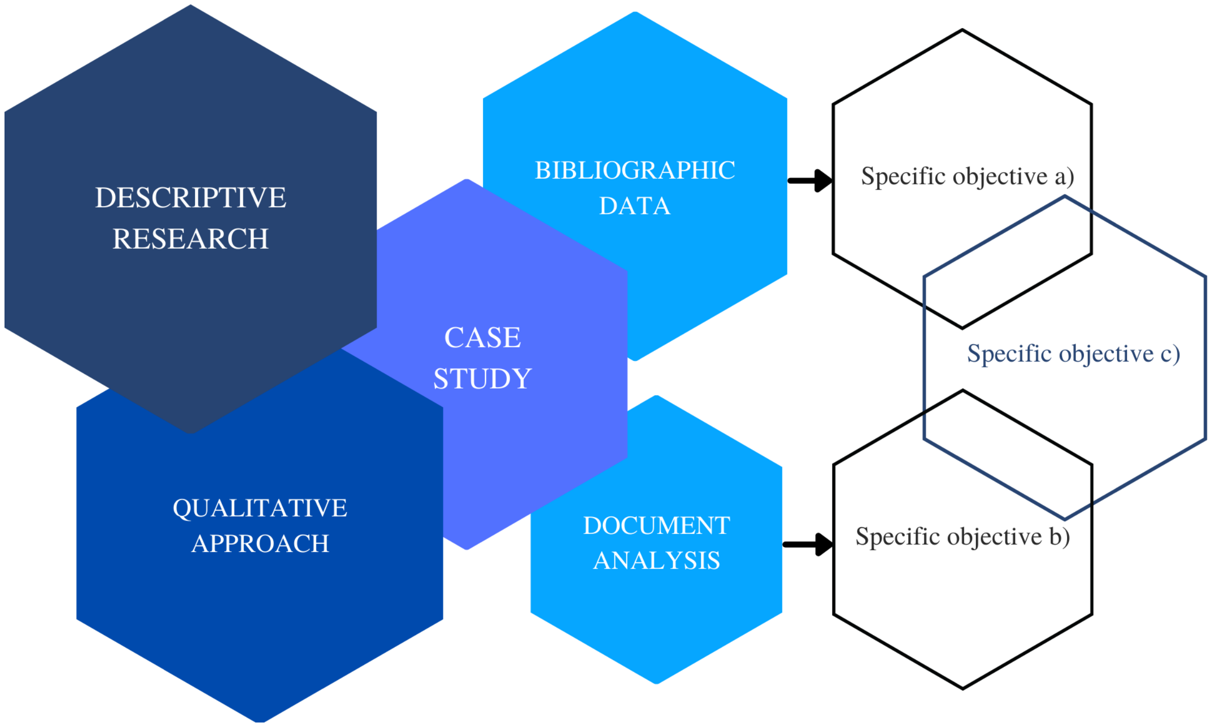

Figure 1: Suggested model
Source: Prepared by the author (2022).

Through Figure 1, it is observed that the research production flow originated in the descriptive research, through the qualitative approach, in which the case study of the brand Wit Idiomas e Tec was chosen. The research of bibliographic data and documental analysis made it possible to achieve objectives "a)" and "b)", which provided subsidies for the elaboration of the intervention proposal that composed the objective "c)”.

3.1 RESEARCH DESIGN

In order to carry out this study, in relation to its objectives, descriptive research was used, which makes it possible to observe the facts, carry out a survey of characteristics about the indicators, methods and techniques of analysis, without manipulating the researcher (Raupp

& Beuren, 2006). This type of research is used to describe the detailed aspects of the facts and phenomena of a given reality, approaching the characteristics of the object of study (Gil, 2008).

As for the approach, it is a qualitative research, which is characterized as a means to explore and understand the meaning that individuals or groups attribute to a social or human problem (Godoy, 2006; Creswell, 2014). In the specific case of this work, the research sought to describe and offer understanding in relation to the business model of the company studied in its natural context.

As for the methodological procedures, documental research was chosen, as it was carried out through documents (Lakatos & Marconi, 2010), such as the business plan and cash flow projections provided by the franchising company, as well as the spreadsheets of the Actual cash flows collected at two franchised units in the network.

3.2 DATA COLLECTION PROCEDURE

The collection of data necessary for the research is divided into: survey of bibliographic data; documentary research (Cash Flow and DRE) with the franchising company; documentary research (Cash Flow and DRE) in units already in operation.

The bibliographic data used for the development of the research consisted of the search for materials for the construction of the theoretical framework, aiming at the basis for the intervention proposal, as well as the understanding of the phenomena.

The documentary research consisted of collecting data and information from the franchisor, regarding the business plan for the franchise models sold, as well as the cash flows and actual DREs, of franchised units already existing in the studied network, in addition to the information collected from the to franchisees about operations.

3.3 DATA ANALYSIS PROCEDURES

The data analysis consisted of two stages, from the collection of documentary data and information from the franchise models of the studied network, being that: at first, a spreadsheet was organized with the average of the real numbers of the cash flows of each model, considering the income statements for the year (DREs) provided by the franchisor and the numbers collected at the units; and in a second moment, analyzes of the financial viability of the two franchising models were carried out, comparing and comparing them, for a better understanding of the phenomenon studied.

3.3.1 Income Statement and e Cash Flow Statement

For a better understanding and analysis, the cash flow model was elaborated with the DRE for the studied network, according to the information and documents obtained. The model can be seen in the Table 1.

I.S./CASH FLOW				
DESCRIPTION	**P1**	**P2**	**P3**	**P...(n)**
REVENUE/BILLING	**R$ 0,00**	**R$ 0,00**	**R$ 0,00**	**R$ 0,00**
Number of active contracts				
Average value per Monthly contract				
(-) VARIABLE COSTS				
Pedagogical system				
(-) FIXED COSTS	R$ 0,00	R$ 0,00	R$ 0,00	R$ 0,00
Room rental				
Accounting				
Marketing				
Electricity, water bill and telephone				
Management system				
Royalties				
Cleanin/hygiene/other materials				
Office materials				
GROSS CASH FLOW	**R$ 0,00**	**R$ 0,00**	**R$ 0,00**	**R$ 0,00**
(-) FIXED EXPENSES	R$ 0,00	R$ 0,00	R$ 0,00	R$ 0,00
Secretary				
Pedagogical advisors				
Director				
Teachers				
Labor benefits				
(-) VARIABLE EXPENSES	R$ 0,00	R$ 0,00	R$ 0,00	R$ 0,00
Commissions, bonuses and awards				
(-) DEPRECIATION	R$ 0,00	R$ 0,00	R$ 0,00	R$ 0,00
(+) RESIDUAL VALUE	R$ 0,00	R$ 0,00	R$ 0,00	R$ 0,00
(=) PROFIT	**R$ 0,00**	**R$ 0,00**	**R$ 0,00**	**R$ 0,00**
(-) FINANCIAL EXPENSES/INCOME	R$ 0,00	R$ 0,00	R$ 0,00	R$ 0,00
Credit card fees (2%)				
(=) PROFIT AFTER INCOME TAX	**R$ 0,00**	**R$ 0,00**	**R$ 0,00**	**R$ 0,00**
TAXES: 6%	R$ 0,00	R$ 0,00	R$ 0,00	R$ 0,00
(+ REVERSAL OF DEPRECIATION)	R$ 0,00	R$ 0,00	R$ 0,00	R$ 0,00
(=) NET FLOW	**R$ 0,00**	**R$ 0,00**	**R$ 0,00**	**R$ 0,00**

Table 1: Cash flow statement model with income statement
Source: Prepared by the author (2022).

The cash flows were launched over a five-year horizon, considering the 2 franchise models of the studied network. The analysis of these flows was carried out using the methods of financial feasibility analysis explained below.

3.3.2 Methods of feasibility analysis used

Regarding the analysis and interpretation of the results of the financial viability analysis, the formulas of the methods most found in the bibliography on the subject were used, namely: Net Present Value (NPV); Internal Rate of Return (IRR); Profitability Index (LI); and Payback (Time of Return on Investment).

The NPV consists of updating all cash flows associated with a project, at a given TMA – Minimum Rate of Attractiveness, which is the minimum interest rate that the investor intends to obtain as income so that it is viable. The NPV formula can be seen below:

$$NPV = -C_0 + \frac{C_1}{1+r} + \frac{C_2}{(1+r)^2} + ... + \frac{C_T}{(1+r)^T}$$

$- C_0 = Initial\ Investment$
$C = Cash\ Flow$
$r = Discount\ Rate$
$T = Time$

The IRR is the interest rate that equals the NPV of a project to zero. That is, it is the interest rate that equals the present value of all cash flows from a project to zero, according to the following formula:

$$IRR = \sum_{t-1}^{t} \frac{C_t}{(1+r)^t} - C_o$$

$\underline{Where}$:
$C_t = Net\ Cash\ Inflow\ During\ the\ Period\ t$
$r\ \ = Discount\ Rate$
$t\ \ = Number\ of\ Time\ Periods$
$C_o = Total\ Initial\ Investment\ Cost$

The PI consists of the relationship between the sum of the cash flow NPV and the absolute value in the implementation of the project, as can be seen in the following formula:

PI = NPV / I

- Where PI is the profitability index
- NPV is the present value of future cash flows
- I is the initial investment

And Payback, which is also known as the return of money over time, shows the number of time periods required for the recovery of the investment made at moment zero, which can be in years, months or even days. Payback can be simple or discounted, and the first form only subtracts the flows from the invested capital until the moment of its discharge; while the discounted Payback takes into account the use of money over time, making a capital update before subtraction.

The data will be placed in the form of tables, using the formulas of the methods of financial feasibility analysis, in a Microsoft Excel 2021 software spreadsheet, and analyzed in the form of descriptive statistics. The values consider the updating of constant prices, that is, it was found that costs and prices increase at the same rate over time, through long-term document analysis.

3.4 LIMITATION OF RESEARCH METHODS AND TECHNIQUES

Although there are many works involving franchise chains, one of the biggest limitations of this research was the lack of other specific studies on the feasibility of franchising models for small towns. Several studies were found related to the internationalization strategies of brands, as well as on the economic viability of franchises. Studies on microfranchises and on the shop in shop model were also found, but none that addressed the implementation of reduced models of low investment and especially low maintenance costs as a strategy for the interiorization of franchising.

Another limitation is due to the very fact of making projections, in which real numbers may diverge over time, as it is something future. Although projections aim to reduce the risks with the highest probability of success, they are still limited due to internal and external factors in future scenarios that are not fully predictable.

The fact that the data are collected in a restricted context, in a single franchising network, constitutes another limiting factor, as it cannot represent a general result. Although data collection took place in real franchise units in operation, the processes of each chain may be different, as well as franchise operations in general.

4 ANALYSIS AND INTERPRETATION OF RESULTS

This research was developed in a franchise network of open courses schools, which offer English courses, technological and professional courses. The same and seeks an effective expansion strategy for small towns in the interior of the country. Thus, in this chapter, the surveys, analyzes and results obtained will be presented, based on the proposed objectives to achieve the solution of the research problem.

4.1 POTENTIAL MARKET FOR FREE COURSES

For the analysis of the potential market for open courses, mainly seeking alignment with the research problem of this study, a survey of the current scenario of the education sector in the country was elaborated. In this way, it was possible to understand this market, as well as the identification of opportunities for the network studied in relation to its objectives in defining an expansion strategy aimed at small cities.

The free courses, in accordance with Law n.9.394/96 - Law of Directives and Bases, constitute a modality of non-formal education of variable duration, with the objective of providing knowledge that allows qualification, professionalization or updating themselves, without the requirement of previous schooling (Brazil, 1996). This classification includes: language courses, computer and technology courses, and professional courses in general. The schools that operate in this market are only obliged to comply with the requirements of the legislation, ensuring the quality of services and issuing a certificate of completion when the student completes the course.

Regarding the inspection and control of establishments that sell these services, it should be noted that they are institutions that are not under the control of state education bodies (Freitas & Souza, 2018), and there is no inspection action by municipal and municipal secretariats. states, or even the Ministry of Education and Culture – MEC. The absence of minimum criteria for the opening of open courses schools, and of inspection and quality control mechanisms – as well as those that exist for regular schools, early childhood education, elementary education, high school and higher education – and the attractiveness of the sector, which has been increasing its share in the franchise market (ABF, 2017), make this market increasingly competitive in the country.

A study of the educational services sector, released by the Brazilian Franchising Association, revealed that there were 15,979 regular companies in the segment in the country (ABF, 2019). In this research, in addition to the so-called “white flag schools – which are those that have their own brand, with few units – are also related to school networks, with up to more than 1000 units. As for the active networks, there were about 279 brands with more than 1 unit in the country. Of this total, 102 networks were associated with ABF, indicating the formal marketing of franchises, totaling 10,534 schools already franchised at the time (ABF, 2019).

The pent-up demand for these specific educational services has been growing due to the lack of skilled labor in various sectors of the Brazilian economy (Schwartzman & Castro, 2013). The low level of income of its target audience and the difficulty of structuring courses that meet the desires of clients regarding insertion in the job market have been presented as some of the biggest challenges (Meirelles & Silva, 2020).

On the other hand, the franchising networks of open courses have difficulties in installing themselves in smaller cities, due to the imbalance between the operational cost and the adequate pricing of services for these cities where the average income of the population is relatively lower than in larger cities. In this way, the implementation of franchise models that can be adapted to small cities is essential for the sector to continue growing in a healthy way and, at the same time, to contribute to the training of millions of people who inhabit these poorest cities, constituting a true social benefit.

4.1.1 Population and potential market

To better understand the potential market for the Wit Idiomas e Tec network, Table 2 was prepared, based on data from the Brazilian Institute of Geography and Statistics (IBGE, 2021), which shows: as well as their respective states; in the second column the total population by region and state; in the third, the total number of people who fit the brand's target audience in each region and state; the fourth column presents the number of people residing in cities between 5 and 40 thousand inhabitants, considered as the focus of the present study for the shop in shop model; in the fifth column, the percentage of the total population residing in these focus cities; in the sixth column, the approximate number of people between 10 and 19 years old, who reside in these focus cities; and in the last column, the total number of people residing in cities with more than 40 thousand inhabitants is presented.

Region/ state	Total population	População alvo total (10 a 19 anos)	Target population	Residents in target cities (%)	Target population in target cities	Populacion in cities with more than 40000 inh.
NORTH	18.906.962	3.361.771	4.828.768	25,54%	858.555	13.827.204
Rondônia	1.815.278	281.283	575.593	45,45%	89.217	670.021
Acre	906.876	180.118	306.766	33,83%	60.924	600.110
Amazonas	4.269.995	784.611	983.538	23,03%	180.676	3.284.702
Roraima	652.713	107.628	216.122	33,11%	35.639	436.591
Pará	8.777.124	1.576.847	1.880.685	21,43%	337.959	6.893.200
Amapá	877.613	164.557	178.146	20,30%	33.402	699.467
Tocantins	1.607.363	266.727	687.918	42,80%	114.126	694.161
NORTH EAST	57.667.842	9.036.824	21.319.946	36,97%	3.340.836	35.504.247
Maranhão	7.153.262	1.306.272	3.113.297	43,52%	568.488	4.021.709
Piauí	3.288.504	528.390	1.583.625	48,14%	254.489	1.407.134
Ceará	9.241.366	1.373.269	2.578.181	27,90%	383.118	6.657.615
Rio G. Norte	3.560.903	523.390	1.390.205	39,04%	204.360	1.992.357
Paraíba	4.059.905	617.484	1.838.837	45,29%	279.687	1.988.489
Pernambuco	9.675.249	1.484.336	2.754.183	28,47%	422.492	6.912.933
Alagoas	3.364.895	572.769	1.335.948	39,70%	227.378	2.009.878
Sergipe	2.338.688	361.192	936.564	40,05%	144.605	1.361.194
Bahia	14.985.070	2.269.722	5.789.106	38,63%	877.050	9.152.938
SOUTHEAST	89.632.912	11.529.655	14.313.392	15,97%	1.840.702	74.035.246
Minas Gerais	21.411.923	2.781.128	6.952.784	32,47%	903.167	13.647.445
Espírito Santo	4.108.508	560.732	1.200.163	29,21%	163.822	2.904.109
R. de Janeiro	17.463.349	2.163.446	985.364	5,64%	122.087	16.477.985
São Paulo	46.649.132	6.024.349	5.175.081	11,09%	668.103	41.005.707
SOUTH	30.402.587	3.850.308	8.710.881	28,65%	1.102.798	20.324.190
Paraná	11.597.484	1.535.602	3.512.342	30,29%	465.034	7.718.058
S. Catarina	7.338.473	911.327	2.165.091	29,50%	268.904	4.853.830
Rio G. do Sul	11.466.630	1.403.379	3.033.448	26,45%	371.294	7.752.302
MIDWEST	16.707.336	2.397.993	4.070.202	24,36%	584.074	12.198.943
Mato G. Sul	2.839.188	410.774	989.979	34,87%	143.250	1.830.226
Mato Grosso	3.567.234	533.157	1.382.228	38,75%	206.643	2.068.502
Goiás	7.209.247	1.016.220	1.697.995	23,56%	239.417	5.205.890
Dist. Federal	3.091.667	437.842	0	0,00%	0	3.094.325
TOTALS	**213.317.639**	**30.176.551**	**53.243.189**	**26,30%**	**7.726.964**	**155.889.830**

Table 2: Population distribution in the focus cities, according to the target audience
Source: Prepared by the author (2022).

Through the data presented in Table 2, it can be seen that about 26.3% of the country's population resides in cities with between 5,000 and 40,000 inhabitants, indicated as the most favorable cities for the implementation of franchises in the educational segment, and focus of the present study.

Considering that the total target audience residing in the country is just over 30.1 million people, it is observed that approximately 7.7 million live in cities with 5 to 40 thousand inhabitants. This difference in market size may have been the determining factor in the current situation in the educational franchise sector, in which the vast majority of schools are concentrated in larger cities. And with that, the opportunity for expansion in municipalities where there is little or no direct competition, as stated in the literature, is evident.

It is also observed that of a total population of 213,317,639, approximately 73.1% (155,889,830 inhabitants) live in cities with more than 40 thousand inhabitants. In turn, 53,243,189 people live in cities between 5,000 and 40,000 inhabitants. The rest of the population, about 4,184,620 people, live in cities with up to 4,999 inhabitants. Cities with up to 4,999 inhabitants are considered too small to set up franchised units. However, they can also constitute opportunities despite not being part of the analysis of this study, as they are close to other cities with greater potential and start to aggregate in the region of operation.

According to the data reported by the studied network, the average number of students in schools in cities between 5 and 40 thousand inhabitants is approximately 100 students per month, and there may be seasonality depending on the time of year. During enrollment periods, schools can even double that number. However, during holiday seasons, the number can drop by 40 to 60% depending on the city and region. Considering these numbers, compared to the number of people who fit the target audience in all regions and states listed in Table 3, especially those who live in focus cities, where there is little or no competition, it is possible to observe a large expansion potential. Objectively, if we divide the amount of 7,726,964 people between 10 and 19 years old, living in cities with 5 to 40 thousand inhabitants, by the maximum number of 200 students per school, resulting in a potential market of around 38, 5 thousand schools.

4.1.2 Municipalities and potential for implementing schools

For a better understanding of the total size of the market for the implementation of open courses schools in Brazil, for the expansion of the Wit Idiomas e Tec. of brand; and in cities with 40,000 inhabitants or more, there is one school for every 40,000 inhabitants. The parameters were studied and defined by the founder himself, based on the schools in operation of the brand that already fit the shop in shop model.

Table 3, based on data from the Brazilian Institute of Geography and Statistics (IBGE, 2021), presents the total numbers of cities by region and state; focus cities with populations between 5 and 40 thousand inhabitants; cities with more than 40 thousand inhabitants and the number of schools in the network that can be implemented in focus cities. As well as the total potential for implementing schools, considering all cities with more than 5 thousand inhabitants, according to the parameters established by the network.

Region/ State	Total de cities	Target cities	Cities with more than 40000 inh.	Potential of schools in target cities	Potential of schools in the country
NORTH	450	276	98	276	622
Rondônia	52	36	6	36	53
Acre	22	18	4	18	33
Amazonas	62	44	17	44	126
Roraima	15	14	1	14	25
Pará	144	85	58	85	257
Amapá	16	13	3	13	30
Tocantins	139	66	5	66	83
NORTH EAST	1.794	1.313	254	1.313	2.201
Maranhão	217	176	37	176	277
Piauí	224	138	9	138	173
Ceará	184	135	48	135	301
Rio G. Norte	167	106	11	106	156
Paraíba	223	145	12	145	195
Pernambuco	185	137	46	137	310
Alagoas	102	82	15	82	132
Sergipe	75	55	9	55	89
Bahia	417	339	67	339	568
SOUTHEAST	1.668	975	322	975	2.826
Minas Gerais	854	531	93	531	872
Espírito Santo	78	63	14	63	136
R. de Janeiro	92	48	44	48	460
São Paulo	645	33	171	333	1.358
SOUTH	1.191	615	136	615	1.123
Paraná	399	250	44	250	443
S. Catarina	295	152	38	152	273
Rio G. do Sul	497	213	54	213	407
MIDWEST	467	272	59	272	577
Mato Grosso do Sul	79	62	12	62	108
Mato Grosso	141	90	16	90	142
Goiás	246	120	30	120	250
Distrito Federal	1	0	1	0	77
TOTALS	**5.570**	**3.451**	**869**	**3.451**	**7.348**

Table 3: Potential for implementing schools by state, region and focus cities
Source: Prepared by the author (2022).

Table 3 shows that of the total of 5,570 municipalities in the country, the number of cities with a population between 5 and 40 thousand inhabitants is 3,451. Comparing with the population residing in these municipalities, shown in Table 2, it can be seen that it is inversely proportional to what is shown. In other words, there are approximately 3 times more smaller cities of 40 thousand inhabitants than larger ones. However, most of the population is concentrated in large centers, revealing that although there is an opportunity for expansion in small towns in the interior of the country, the network must not fail to perceive the potential of larger cities and establish an expansion plan that can cover these municipalities.

In total numbers, there was a potential for the implementation of 3,451 schools in cities between 5 and 40 thousand inhabitants. While in cities with more than 40 thousand inhabitants, there was a potential for the implementation of 3,897 schools, totaling 7,348 across the country. The numbers presented in Table 3 show that there are considerable differences in the potential market of each state, suggesting that the franchising network adjusts an expansion strategy that can contemplate these divergences. In some states, such as Rio de Janeiro, the potential for schools in larger cities is much higher than the potential for implementation in small towns, with 460 in total against 48 in cities between 5 and 40 thousand inhabitants. That is, of the potential of 460 schools, there is room for 412 in larger cities, and only 48 in smaller cities. While in the state of Piauí, 138 of the 173 opportunities to implement the brand's schools are in small towns between 5 and 40 thousand inhabitants.

Therefore, with regard to the market potential for the network of schools Wit Idiomas e Tec., it was found that despite the differences between states and regions of the country, there is a great potential for implementing schools, both in small towns between 5 and 40 thousand inhabitants, as in cities with a population of more than 40 thousand inhabitants. And both in the population analysis presented in Table 2, and in the analysis of the number of municipalities presented in Table 3, there was an enormous potential.

4.2 FINANCIAL FEASIBILITY ANALYSIS OF FRANCHISING MODELS

The franchise network studied includes two distinct franchise models, which were studied in this research, namely: the shop in shop model; and the standard franchise or microfranchise model. According to the franchisor, what differentiates the standard franchise from the micro-franchise is only the number of employees and the size of the physical structure, which can change according to the number of inhabitants of the city where the franchise is installed, so it consists of the same operating model. . To fulfill the objectives of this study, the most suitable data for cities between 5 and 40 thousand inhabitants were used for these two franchise models, whose investments are presented in Frame 5.

DATA REPORTED FOR EACH MODEL		
	Shop in Shop	Standard franchise/microfranchise
MARR (Minimum Attractive Rate of Return)	12,00%	12,00%
Initial investment	R$ 69.000,00	R$ 89.000,00
Project deadline	5 years	5 years
Residual value	R$ 69.000,00	R$ 89.000,00

Frame 5: Investment information for each franchise model
Source: Prepared by the author (2022).

It is observed that in both investment projects, MARR was set at 12%, according to information from the franchise network studied. The project time is also the same, 5 years, which configures the franchise agreement period. And the investment, as well as the residual value, are different according to each franchise model, being R$ 69,000.00 for the shop in shop model, and R$ 89,000.00 for the standard franchise or microfranchise model. According to the information collected, this difference is equivalent to the additional investments in structure of the standard model.

For the feasibility analysis of each of the investments, in addition to raising the values, it was also necessary to prepare the cash flows, which supported the base worksheet, where the formulas of the calculation methods of financial feasibility analysis were inserted.

Regarding the elaboration of cash flows statement, data obtained from the franchisor and franchisees were used, resulting in the understanding of each of the franchising models. As the franchisor is still in its first year of franchising activity and the franchisees still do not have an operating history from previous years, the actual data presented and the franchisor company's projections for each model were used, based on the pilot units of property of the brand owner. In this way, the cash flows were prepared with the average values of each of the models.

The results of the cash flow statement and income statement of the shop in shop model can be seen in Table 4.

I.S./CASH FLOW – SHOP IN SHOP (in R$/BR)					
DESCRIPTION	**P1**	**P2**	**P3**	**P4**	**P5**
REVENUE/BILLING	**129.792,00**	**140.160,00**	**151.388,16**	**163.499,52**	**176.563,20**
N. of active contracts	768	768	768	768	768
Average v. per Monthly	169,00	182,50	197,12	212,89	229,90
(-) VAR. COSTS	-7.200,00	-7.776,00	-8.398,08	-9.069,93	-9.795,52
Pedagogical system	-7.200,00	-7.776,00	-8.398,08	-9.069,93	-9.795,52
(-) FIXED COSTS	-34.610,40	-37.379,23	-40.369,57	-43.599,14	-47.087,07
Room rental	-9.600,00	-10.368,00	-11.197,44	-12.093,24	-13.060,69
Accounting	-3.000,00	-3.240,00	-3.499,20	-3.779,14	-4.081,47
Marketing	-3.600,00	-3.888,00	-4.199,04	-4.534,96	-4.897,76
Electricity/water/phone	0,00	0,00	0,00	0,00	0,00
Management system	-2.388,00	-2.579,04	-2.785,36	-3.008,19	-3.248,85
Royalties	-15.422,40	-16.656,19	-17.988,69	-19.427,78	-20.982,00
Cleanin/hygiene/other	-240,00	-259,20	-279,94	-302,33	-326,52
Office materials	-360,00	-388,80	-419,90	-453,50	-489,78
GROSS CASH FLOW	**87.981,60**	**95.004,77**	**102.620,51**	**110.830,46**	**119.680,61**
(-) FIXED EXPENSES	-26.400,00	-28.512,00	-30.792,96	-33.256,40	-35.916,91
Secretary	0,00	0,00	0,00	0,00	0,00
Pedagogical advisors	0,00	0,00	0,00	0,00	0,00
Director	-26.400,00	-28.512,00	-30.792,96	-33.256,40	-35.916,91
Teachers	0,00	0,00	0,00	0,00	0,00
Labor benefits	0,00	0,00	0,00	0,00	0,00
(-) VAR. EXPENSES	0,00	0,00	0,00	0,00	0,00
Comm./bonuses/awards	0,00	0,00	0,00	0,00	0,00
(-) DEPRECIATION	-6.900,00	-6.900,00	-6.900,00	-6.900,00	-6.900,00
(+) RESID. VALUE	0,00	0,00	0,00	0,00	0,00
(=) PROFIT	**54.681,60**	**59.592,77**	**64.927,55**	**70.674,06**	**76.863,70**
(-) FINAN. EXP/INC.	-2.595,84	-2.803,20	-3.027,76	-3.269,99	-3.531,26
Credit card fees (2%)	-2.595,84	-2.803,20	-3.027,76	-3.269,99	-3.531,26
(=) PAIT	**52.085,76**	**56.789,57**	**61.899,79**	**67.404,07**	**73.332,44**
TAXES: 6%	-7.787,52	-8.409,60	-9.083,29	-9.809,97	-10.593,79
(+ REV. OF DEPR.)	6.900,00	6.900,00	6.900,00	6.900,00	6.900,00
(=) NET FLOW	**51.198,24**	**55.279,97**	**59.716,50**	**64.494,10**	**69.638,65**

Table 4: Cash flow statement with income statement of the shop in shop model
Source: Prepared by the author (2022).

While the results for the standard franchise or micro-franchise model are presented in Table 5.

I.S./CASH FLOW – STANDARD FRANCHISE OR MICROFRANCHISE (in R$/BR)					
DESCRIPTION	**P1**	**P2**	**P3**	**P4**	**P5**
REVENUE/BILLING	**129.792,00**	**140.160,00**	**151.388,16**	**163.499,52**	**176.563,20**
N. of active contracts	768	768	768	768	768
Average v. per Monthly	169,00	182,50	197,12	212,89	229,90
(-) VAR. COSTS	-7.200,00	-7.776,00	-8.398,08	-9.069,93	-9.795,52
Pedagogical system	-7.200,00	-7.776,00	-8.398,08	-9.069,93	-9.795,52
(-) FIXED COSTS	-46.452,00	-50.168,16	-54.181,61	-58.516,14	-63.197,43
Room rental	-14.400,00	-15.552,00	-16.796,16	-18.139,85	-19.591,04
Accounting	-3.000,00	-3.240,00	-3.499,20	-3.779,14	-4.081,47
Marketing	-3.600,00	-3.888,00	-4.199,04	-4.534,96	-4.897,76
Electricity/water/phone	-8.472,00	-9.149,76	-9.881,74	-10.672,28	-11.526,06
Management system	-2.388,00	-2.579,04	-2.785,36	-3.008,19	-3.248,85
Royalties	-13.872,00	-14.981,76	-16.180,30	-17.474,72	-18.872,70
Cleanin/hygiene/other	-300,00	-324,00	-349,92	-377,91	-408,15
Office materials	-420,00	-453,60	-489,89	-529,08	-571,41
GROSS CASH FLOW	**76.140,00**	**82.215,84**	**88.808,47**	**95.913,45**	**103.570,25**
(-) FIXED EXPENSES	-26.400,00	-28.512,00	-30.792,96	-33.256,40	-35.916,91
Secretary	0,00	0,00	0,00	0,00	0,00
Pedagogical advisors	0,00	0,00	0,00	0,00	0,00
Director	-26.400,00	-28.512,00	-30.792,96	-33.256,40	-35.916,91
Teachers	0,00	0,00	0,00	0,00	0,00
Labor benefits	0,00	0,00	0,00	0,00	0,00
(-) VAR. EXPENSES	0,00	0,00	0,00	0,00	0,00
Comm./bonuses/awards	0,00	0,00	0,00	0,00	0,00
(-) DEPRECIATION	-8.900,00	-8.900,00	-8.900,00	-8.900,00	-8.900,00
(+) RESID. VALUE	0,00	0,00	0,00	0,00	0,00
(=) PROFIT	**40.840,00**	**44.803,84**	**49.115,51**	**53.757,05**	**58.753,34**
(-) FINAN. EXP/INC.	-2.595,84	-2.803,20	-3.027,76	-3.269,99	-3.531,26
Credit card fees (2%)	-2.595,84	-2.803,20	-3.027,76	-3.269,99	-3.531,26
(=) PAIT	**38.244,16**	**42.000,64**	**46.087,74**	**50.487,06**	**55.222,07**
TAXES: 6%	-7.787,52	-8.409,60	-9.083,29	-9.809,97	-10.593,79
(+ REV. OF DEPR.)	8.900,00	8.900,00	8.900,00	8.900,00	8.900,00
(=) NET FLOW	**39.356,64**	**42.491,04**	**45.904,45**	**49.577,09**	**53.528,28**

Table 5: Cash flow statement with income statement of the standard franchise model
Source: Prepared by the author (2022).

Based on the two cash flows statement and income statement, it is observed that the big difference is in the fixed costs, which change considerably from one model to the other, evidencing that the fact that the company has to pay a higher rent, energy costs electricity, water and sewage costs, and telephone and internet costs may influence the result for the period. In view of these results, it is already possible to observe that the shop in shop model has financial advantages in relation to the conventional franchise model, allowing the highest percentage of profitability.

However, in addition to the projection of the normal scenario represented by the cash flows statement and income statement, according to the data collected from the network, 4 other scenarios were projected, according to the possibilities presented and the seasonality of the real numbers, namely: very optimistic; optimistic; pessimistic; and very pessimistic. The data for each of the scenarios of the shop in shop model are presented in Table 6.

DATA FOR THE ANALYSIS OF THE SHOP IN SHOP FRANCHISE MODEL

Variables	Very optimistic scenario	Optimistic scenario	Expected scenario	Pessimistic scenario	Very pessimistic scenario
Annual sale price (R$)	142.771,00	136.281,00	129.792,00	124.598,00	119.406,00
Expected amount of sale	1,56	1,27	1,00	0,70	0,51
Unit variable costs (R$)	9.562,62	9.562,62	9.795,84	9.562,62	9.562,62
Taxes and commissions (%)	6,00%	6,00%	6,00%	6,00%	6,00%
Total fixes costs (R$)	73.212,48	67.111,44	61.010,40	61.010,40	61.010,40
Residual value (R$)	110.000,00	85.000,00	69.000,00	55.000,00	45.000,00

Table 6: Data for the analysis of the shop in shop franchise model
Source: Prepared by the author (2022).

And the data for the five scenarios of the standard franchise or microfranchise model are presented in Table 7.

DATA FOR THE ANALYSIS OF THE STANDARD FRANCHISE MODEL OR MICROFRANCHISE

Variables	Very optimistic scenario	Optimistic scenario	Expected scenario	Pessimistic scenario	Very pessimistic scenario
Annual sale price (R$)	142.771,00	136.281,00	129.792,00	124.598,00	119.406,00
Expected amount of sale	1,56	1,27	1,00	0,70	0,51
Unit variable costs (R$)	9.562,62	9.562,62	9.795,94	9.562,62	9.562,62
Taxes and commissions (%)	6,00%	6,00%	6,00%	6,00%	6,00%
Total fixes costs (R$)	85.896,00	78.738,00	72.852,00	71.580,00	71.580,00
Residual value (R$)	124.000,00	106.000,00	89.000,00	72.000,00	60.000,00

Table 7: Data for the analysis of the standard franchise model or microfranchise
Source: Prepared by the author (2022).

According to the survey on the franchising network presented in Table 7, in the very optimistic scenario, the franchise investor, also called a franchisee candidate, will be able to view the business numbers in the case of an excellent performance. It is observed that the sale price was increased by 10%, resulting in the amount of R$ 142,771.00. This increase considered the higher volume of sales of the English course, which has more expensive installments than the technological and professional courses, which increases the company's average ticket and, consequently, the total annual sales value. The number of sales was set at 1.56, representing a 56% increase in the number of annual installments, which means a 56% increase in the number of students. Annual unitary variable costs and expenses remained at R$ 9,562.62, considering that the services offered use a platform that supports this increase without influencing the value. If the number of students increased further, there would be a change in this value. Fixed costs had differences between the models, as already observed in the cash flows, with the projection for the shop in shop model was R$ 73,212.48, and for the standard franchise or microfranchise model it was R$ 85,896. .00. Finally, the Residual Value also changed from one model to the other, even though the same percentage of 40% is above the expected for a normal scenario, the numbers are divergent due to the investment of each franchise model. It is important to note that this residual value considers the equipment and an active portfolio after a period of 5 years, considering that they are customer contracts with recurring installments, which last for 13 to 19 months.

The percentages referring to taxes remained the same in all projections, considering that the final values were increased. The data of this first scenario, as well as the others, were based on the information collected, as being possible to be reached, due to the business segment and the portfolio of recurring customers.

The second scenario portrays an optimistic projection, in which the sale price of R$ 136,281.00 is observed. The unit variable cost has not changed. The total fixed cost was the only one that had a significant divergence, reaching R$ 67,111.44 in the shop in-shop model, and R$ 78,738.00 in the standard franchise or microfranchise model. The residual value in both models was adjusted to 20% above the invested amount.

The third scenario is the expected one, whose numbers have already made up the cash flows statement and income statement, highlighting the higher fixed cost in the standard franchise or microfranchise model.

The fourth scenario is the pessimistic one, with a sale price of R$ 124,598.00. It is observed that in this scenario, despite having a lower performance, fixed costs remain the same as the scenario expected for the shop in shop franchise model, but are slightly lower in the standard franchise or micro-franchise model, according to the collected data. Even so, the difference between the two values is quite expressive, impacting the operating result. As for the residual value, approximately 90% of the invested amount was considered, according to the information transmitted by the franchising network. Another important observation is that the numerical difference between the optimistic and expected scenarios is not proportional to the numerical difference between the expected and pessimistic scenarios. This is because, according to the numbers provided by the network of schools, the probability that the investment will perform better than expected is greater than the probability of a lower performance. Furthermore, the data provided depict a smaller difference between the minimum and expected numbers than between the maximum and expected numbers.

The fifth scenario projected is considered to be very pessimistic, portraying a reality in which the business may experience extreme difficulties, with an 8% drop in the sales value, which represents the average ticket, and a 49% drop in the number of sales, which represents the number of installments received from signed contracts. The unit variable cost remained the same. And the fixed cost was R$ 61,010.40 for the shop in shop model, and R$ 71,580.00 for the standard franchise or micro-franchise model. And the residual value was reduced to 80% of the invested amount.

For the same five scenarios, financial feasibility analyzes were carried out using the IRR, NPV, PI and Payback methods, so that the franchisee candidate can compare the behavior of the business in the different scenarios, as shown. Table 8 shows the financial results for the shop in shop model and Table 9 shows the results for the standard franchise or microfranchise model.

RESULTS OBTAINED FROM FIVE SCENARIOS FOR THE SHOP IN SHOP MODEL

SCENARIO	IRR	NVP	PI	PAYBACK
Very optimistic	176,35%	R$430.421,19	7,24	1
Optimistic	121,46%	R$ 280.000,44	5,06	1
Expected	**74,20%**	**R$ 154.710,65**	**3,24**	**2**
Pessimistic	17,85%	R$ 13.689,19	1,20	5
Very pessimistic	0,00%	-R$ 74.625,84	-0,08	-

MARR = 12%

Table 8: Results for the viability analysis of the shop in shop franchise
Source: Prepared by the author (2022).

By comparing the IRR for the 5 scenarios, it can be seen that in the very optimistic perspective, the present rate can reach 176.35% of annual return. While in the worst case, it results in 0%, considered unacceptable. On the other hand, it can be seen that from the pessimistic scenario, the investment in the shop in shop model can already be considerable acceptable. These results suggest that the investment is economically viable, with an acceptable risk, given the common seasonality for this type of business. In other words, it is unlikely that an operation will remain in the worst scenario for a long time. From the information collected, the model may even reach the worst-case numbers for a period of time due to external factors that restrict activity such as the New Coronavirus pandemic, but soon it rebuilds the portfolio and maintains the expected numbers (Table 8).

In the NPV method, there may be a variation of R$ 430,421.19 in the best scenario, for a negative result of -R$ 74,625.84 in the worst, implying a loss. These results corroborate the IRR results (Table 8).

The Profitability Index (PI) for the shop in shop model, whose result needs to be greater than 1.0 to be acceptable, reached 7.24 in the best scenario. In the lowest perspective, it had a negative result of -0.08, indicating the infeasibility, if it were maintained for a period of 5 years in this perspective.

Finally, the Payback for the 5 scenarios is presented, where: in the Very Optimistic and Optimistic scenarios, the investment achieves its return in the first year. While in the Expected scenario the Payback occurs in the second period. And in the Pessimist, it occurs in the fifth period. The only scenario in which the return does not occur is the Very Pessimistic, indicating that if this scenario was constant over the 5 years, the shop in shop model would not be viable.

The results of the calculations of the financial feasibility analysis for the standard franchise or microfranchise model, demonstrate a slightly riskier projection, as shown in Table 9. By comparing the IRR for the 5 scenarios, it is clear that if the numbers were constant over the five years, the investment would not be viable in the Pessimistic and Very Pessimistic scenarios.

RESULTS OBTAINED FROM FIVE SCENARIOS FOR THE STANDARD MODEL

SCENARIO	IRR	NVP	PI	PAYBACK
Very optimistic	122,86%	R$ 372.643,91	5,19	1
Optimistic	81,52%	R$ 230.005,25	3,58	2
Expected	**44,22%**	**R$ 103.372,51**	**2,16**	**3**
Pessimistic	0,00%	-R$ 34.765,60	0,61	-
Very pessimistic	0,00%	-R$ 124.215,48	-0,40	-

MARR = 12%

Table 9: Results for the viability analysis of the standard model
Source: Prepared by the author (2022).

Regarding the results for the NPV method, it is noted that the loss could reach R$ 124,215.48 in the worst scenario. While at the best it could reach R$ 372,643.91. These results corroborate the IRR results.

The Profitability Index for the standard franchise or micro-franchise model is 5.19 in the best case scenario. While in the Pessimistic scenario it was 0.61, where the results were insufficient to reach the point of financial viability; and -0.40 in the very pessimistic scenario, in which the investment would become totally unfeasible, if these numbers were proven over the 5 years, which would hardly occur according to the information collected from the franchising network, due to the reasons already mentioned.

Finally, the Payback for the 5 scenarios is presented, where: in the Very Optimistic scenarios, the investment achieves its return in the first year. In the Optimistic scenario, it reaches the second year. In the expected scenario, it reaches the third year. And in the Pessimistic and Very Pessimistic scenarios, the return on investment does not occur over 5 years, indicating the unfeasibility of the investment, in the case if the numbers were constant and not due to atypical situations and the seasonality of the business itself.

Considering the two franchise models of the studied network, which have different investments, and result in different projections, especially with regard to fixed operating costs, which have already been explained in the present study, as one of the main limiting factors for the franchise chains implement expansion strategies aimed at small cities, it can be said that the shop in shop model is more financially viable. The combination of deterministic and probabilistic results, based on information provided by the franchising company, suggests a lower risk of the shop in shop franchise model.

4.3 INTERVENTION PROPOSAL FOR THE WIT IDIOMAS E TEC NETWORK

The characterization of the potential market showed that there is great potential for expanding the shop in shop model in cities between 5 and 40 thousand inhabitants. In all, there are 3,451 municipalities of this population size that could support a school of this new brand format. The literature confirms the vision of the founder of the brand, indicating that there is little incidence of franchise units in these municipalities, resulting in less competition, especially in the segment of open courses. The sum of these factors constitutes an opportunity to implement an effective expansion strategy in small towns.

The investment finance feasibility analysis supports a new brand expansion project in smaller cities, by providing positive results proving the viability of these smaller schools with reduced costs. With this, the shop in shop franchise format, already tested and approved by the chain and now proven in the feasibility analysis, can become the main franchise format to be offered in a new expansion strategy. The viability of this format, compared to the standard franchise format, proved to be more effective and more interesting from an investor's point of view. In addition to making it possible to offer courses to populations in need of these services, constituting an important social benefit.

On the other hand, there was an even greater potential market in cities with more than 40 thousand inhabitants, with the possibility of implementing 3,897 new schools. Despite being a more competitive market, where there is already an offer of free courses by several competing brands, the Wit Idiomas e Tec network is suggested, which includes a parallel expansion strategy for these cities. Because the decision not to operate in cities with more than 40 thousand inhabitants can result in a loss of opportunities for growth, strengthening and brand solidification in the market, in addition to leaving the way free for other brands to implement their own shop in shop formats, in these unattended cities.

The standard franchise model also obtained positive results in the financial viability analysis, proving to be economically viable. When implemented in larger cities, with a large number of people belonging to the target audience, it can be more profitable than the shop in shop format, due to the optimization of the structure. Therefore, this format is recommended in large cities.

With the verification of the economic viability of the two models, and with a total potential of implantation of new schools of 7,348 units considering all the cities, it is suggested the network that contemplates the two models in a new expansion strategy, although the focus is on shop in shop format. However, nothing prevents the network from considering the implementation of shop in shop schools also in larger cities, in neighborhoods, districts and distributed in metropolitan regions of large urban centers.

For a better visualization of the market potential of both franchise formats of the network, Charts 1 and 2 were constructed, which present the potential by number of cities, and by population number respectively.

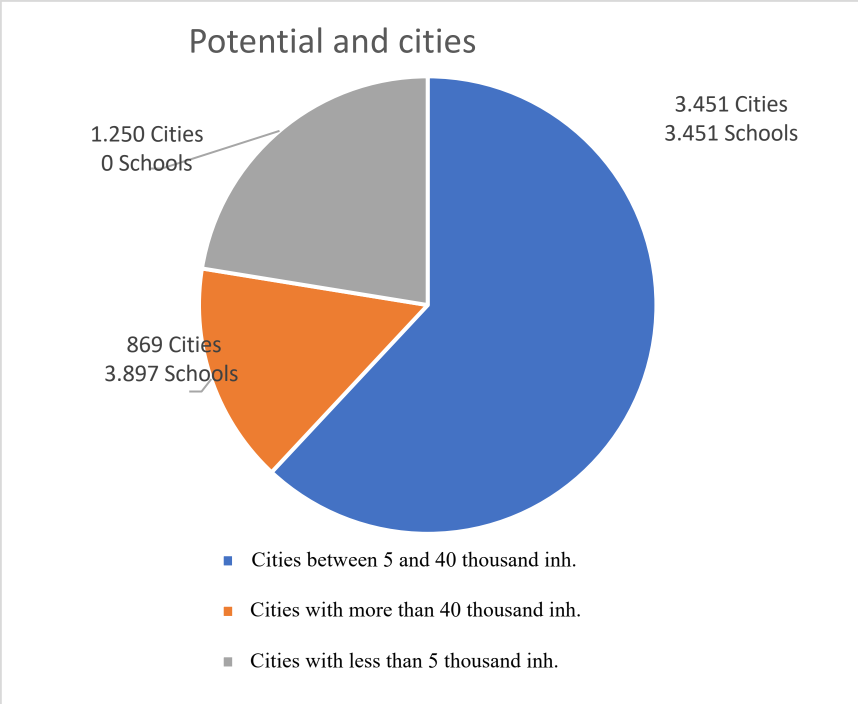

Chart 1: Potential for cities
Source: Prepared by the author (2022).

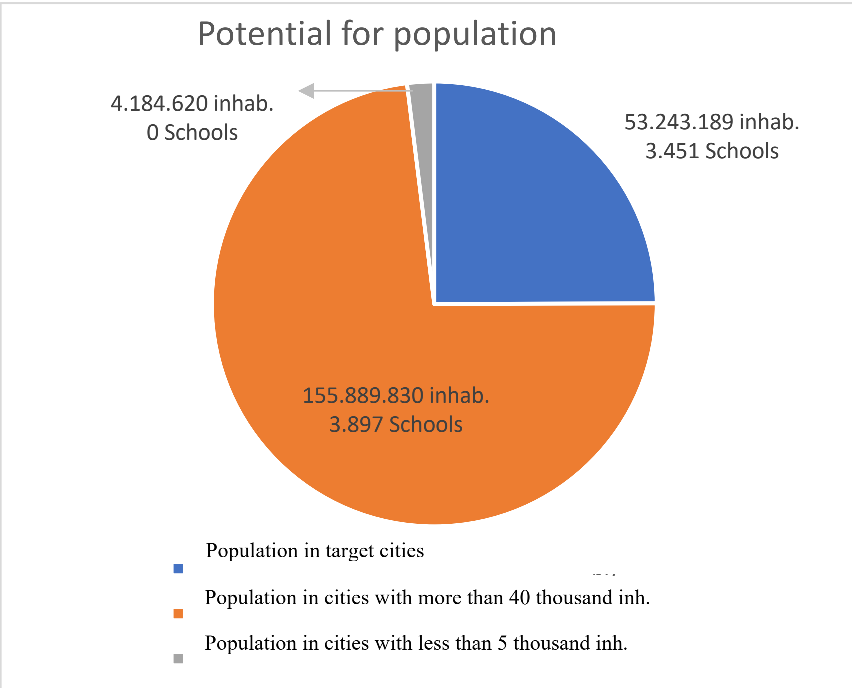

Chart 2: Potential by population number
Source: Prepared by the author (2022).

Charts 1 and 2 represent two different views of the potential market, highlighting that both cities with populations between 5 and 40 thousand inhabitants, as well as cities with larger populations, constitute opportunities for expansion. The cities that have larger populations, constitute the smallest number, however, concentrate the greater part of the population. While in cities with a population of less than 5 thousand inhabitants, it constitutes an intermediate number of cities, but they are the ones that concentrate the smallest amount of population. And the ideal cities for the shop in shop model, between 5,000 and 40,000 inhabitants, constitute the largest number of municipalities and an intermediate number of residents.

4.3.1 Suggestion for a new expansion strategy for the network

In order to achieve the objective of the intervention proposal, it is suggested that the new network expansion strategy of Wit Idiomas e Tec., contemplate the focus on the implementation of shop in shop schools in smaller municipalities, where there is little or no direct competition. For that purpose,

a) a) brand marketing should focus on promoting and attracting franchisee candidates in the snail format with a centrifugal effect from the inside out, starting from the cities closest to the headquarters, located in Toledo-PR, to the most distant cities in the state of Paraná;
b) b) At the same time, publicity can be developed in larger cities, in the same regions, both for the standard franchise format, as well as the shop in shop format in neighborhoods of large centers. The advancement of disclosure should continue in the snail format in the other states, starting from those closest to Paraná, to the most distant;
c) The search for partners, people with the potential to become franchisees of the brand, should start with the search for a specific candidate profile. The ideal franchisee candidate profile, established by the network in chapter 6 of the Franchise Offer Circular (COF) of Wit Idiomas e Tec., should guide the dissemination strategy, both in the state of origin and in the others. The part of the COF in which the referred chapter appears, follows in the appendices of the present study. In this way, the development of campaigns, advertising materials and the projected positioning of the brand must seek to achieve the profile of the intended candidate.

4.3.1.1 Search for partners and franchisee candidates

In order to assist in this process of searching for partners with the ideal profile to become franchisees, a suggestive script was prepared, shown in Figure 2.

Roadmap for the search for partners (franchisees)

- [ ] Develop campaigns aimed at the ideal profile
- [ ] Feed the site with franchise information
- [ ] Feed the Youtube channel with franchise information
- [ ] Create free tips videos for people interested in starting a business
- [ ] Feed social networks with the brand's lifestyle
- [ ] Feed franchisor profiles with franchise information
- [ ] Plan and execute the “snail strategy” in the following channels:
  - [ ] Social networks (Linkedin, Facebook, Instagram and youtube), through paid traffic and the propagation of free tips videos for people interested in starting a business, in addition to the realization of lives (live broadcasts) with free content for the entrepreneurial public;
  - [ ] Trade associations, through free remote events focused on aspiring entrepreneurship and budding entrepreneurs;
  - [ ] Public and private schools, through free remote events for teachers in general, especially language teachers;
  - [ ] Distance learning college hubs, through free remote business department tips events for owners;
  - [ ] Sites aimed at the entrepreneurial public, especially pages aimed at the franchising sector;
  - [ ] Participation in physical and remote events, focused on entrepreneurship;
  - [ ] Partnerships and sponsorship of courses and events focused on the entrepreneurial public.
- [ ] Measure results and readjust the strategy when necessary.

Figure 2: Roadmap for parent search
Source: Prepared by the author (2022).

In view of the suggestion of the new strategy for the network, the roadmap for the search for new partners, candidates for franchisees, presented in Figure 2, aims to understand in a practical way, not only the tasks to be developed in the process, but also the sequence in which these activities should be implemented.

The script clarifies the importance of maintaining the company's communication in a clear and objective way. The indication of the alignment of information on the website, the profiles of social networks and other communication channels used by the company, aims at a more effective communication with potential partners, franchisee candidates and the general public.

The actions indicated for the implementation of the snail strategy, in the most diverse channels, should serve as a starting point for the brand to project itself in the national franchise market. Over time, it is suggested that the network itself can measure the results and implement new methodologies and processes.

4.3.1.2 Dissemination and expansion flow

For a better understanding of the brand's dissemination and expansion flow, in addition to the general expansion strategy, Figure 3 was constructed, with the map of the state of Paraná, extracted from the Wikipedia portal (2022), and the demonstration of the flow of information. disclosure in snail format.

Figure 3: Representation of the disclosure flow
Source: Prepared by the author (2022).

Through Figure 3, it is possible to observe that the dissemination flow should start in the region close to the host city of Toledo-PR, and expand towards the most distant municipalities in the state. In the detail of the upper right corner of Figure 3, the expansion flow to the other Brazilian states, starting from the state of origin, is denoted.

Regarding the expansion goals, it is suggested that the network establish goals based on: the dissemination capacity, as well as the number of municipalities to be published monthly in an attempt to win over new franchisee candidates; in its capacity to train and implement new units/month; and the ability to support incoming, novice and former franchisees. It is suggested as a starting point for the definition of target cities, the use of tables from the Brazilian Institute of Geography and Statistics – IBGE. Another way is to use geomarketing tools and/or hire companies specialized in this segment, but there may be high maintenance costs for this service.

4.3.2 Schedule for opening new franchises

Bearing in mind that a franchisor network needs to be prepared to dedicate attention to the different stages that involve the franchising process, a schedule was prepared for the opening of new franchises, with the objective of minimizing the initial support work for the franchisee, leaving it the most autonomous so that you can carry out your school project in your city alone. Frame 6 presents this script, which should guide the opening of shop in shop units, without the franchisor having to stop the disclosure process to intervene in the opening process every time a new franchise demand.

ACTION TO BE IMPLEMENTED	Day 1 to day 30	Day 31 to day 60	Day 61 to day 90	Day 91 to day 120
Training for the implementation of franchise and train. general	X			
Search for possible points (spaces for the shop in shop)	X			
Search for possible suppliers of materials, equipment, facade and materials for renovation	X			
Pre-selection of the shop-in-shop point and consultation with the local architect (if necessary)	X			
Budget of the shop in shop implementation project	X			
Facade budget, distinctive signs and internal signage	X			
Budget of equipment and materials for opening	X			
Signing the shop-in-shop rental agreement		X		
Tailor the project to a local architect (if necessary)		X		
company opening		X		
Energy, Water and Communication Contracting (if necessary)		X		
Budget update and implementation project execution (if necessary reform)		X		
Purchase of furniture, equipment and materials in general		X		
Purchase of graphic and advertising materials		X		
Hiring employees (if necessary)		X		
Training for opening and inauguration and operational train.		X		
Start of dissemination and search for partnerships		X	X	
Inauguration			X	
Initial announcements and enrollments			X	X

Frame 6: Shop in shop franchise opening schedule
Source: Prepared by the author (2022).

Frame 6 presents the entire sequence of actions to be developed to put a new franchise into operation, from the signing of the franchise agreement to the first weeks after opening. There is a time horizon of approximately 90 to 120 days between the signing of the contract and the opening and initial disclosure. This is because shop in shop franchises have a reduced structure and require simpler and faster opening actions. While Frame 7 presents the proposed timetable for opening a standard franchise.

ACTION TO BE IMPLEMENTED	Day 1 to day 30	Day 31 to day 60	Day 61 to day 90	Day 91 to day 120	Day 121 to day 150
Training for the implementation of franchise and train. general	X				
Search for possible points (exclusive point)	X				
Search for possible suppliers of materials, equipment, facade and materials for renovation	X				
Pre-selection of 2 point options and consultation with local architect	X				
Budget of the implementation project for each eligible point (building renovation)	X				
Facade budget, distinctive signs and internal signage	X				
Budget of equipment and materials for opening the franchise	X				
Signing the point lease agreement		X			
Forward the project for architectural adaptations		X			
company opening		X			
Energy, Water and Communication Contracting		X			
Budget update and implementation project execution (building renovation)		X	X		
Purchase of furniture, equipment and materials in general		X	X		
Purchase of graphic and advertising materials			X		
Hiring employees (if necessary)			X		
Training for opening and inauguration and t. operational			X		
Start of dissemination and search for partnerships			X		
Opening				X	
Initial announcements and enrollments				X	X

Frame 7: Standard franchise opening schedule
Source: Prepared by the author (2022).

It is suggested that the implementation of a standard franchise follows some more detailed criteria, such as the obligation to adapt the architectural project, together with a local architect, in order to guarantee excellence in the execution of the project. Due to its more robust size, a longer time horizon is recommended, with a period of up to 150 days between the signing of the contract and the opening and beginning of activities. However, nothing prevents the new franchisee from being able to speed up the process and anticipate the opening by days, weeks, or even months.

It should be noted that for the elaboration of the suggested schedules, the brand's Franchise Offer Circular was used, in which a maximum period of 180 days is established for the opening of a new franchise. In this study, we sought to follow the criteria already established for the preparation of proposals.

4.3.3 Operating model

To assist the network in the implementation of an operational model, the model presented in Figure 4 was suggested, with the objective of detailing the processes to be developed by the office of the franchisor company of the Wit Idiomas e Tec brand.

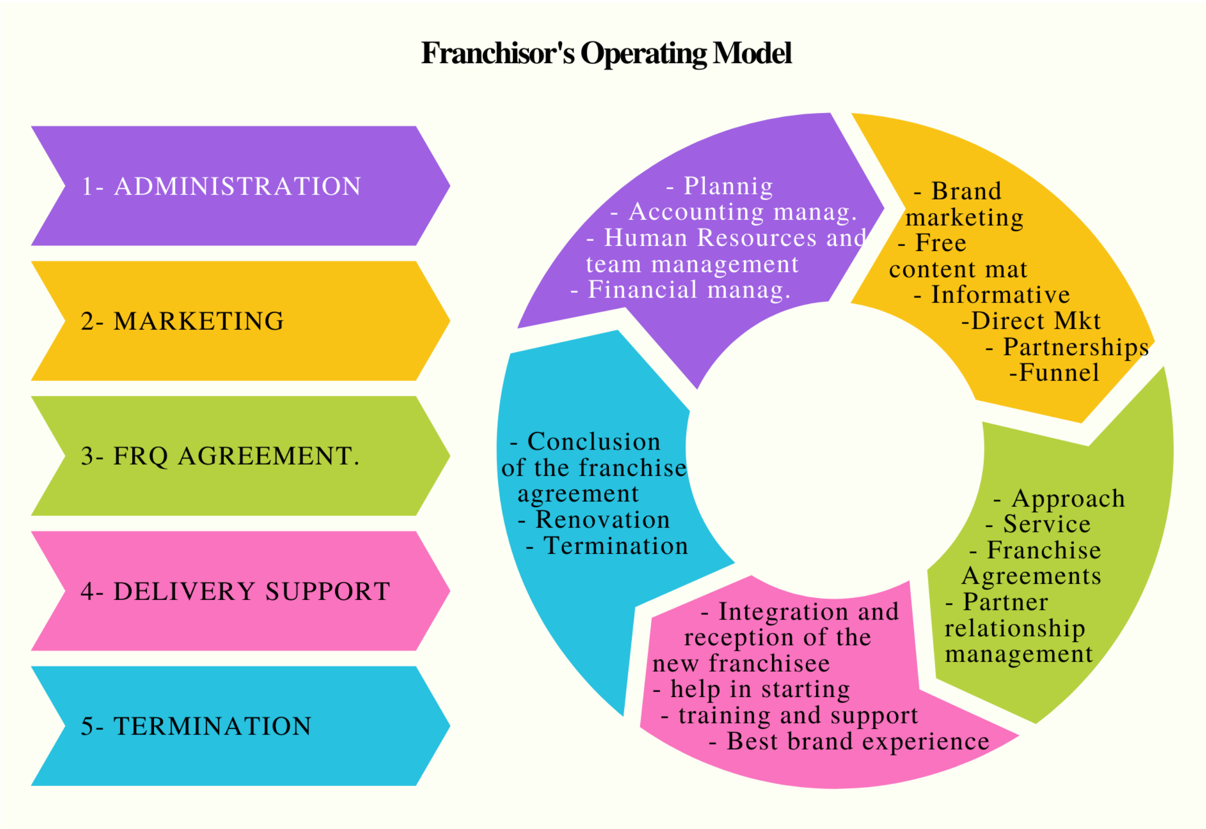

Figure 4: Representation of the franchisor's operating model
Source: Prepared by the author (2022).

The model presented in Figure 4 was built based on information obtained from the network itself, according to the Franchise Offer Circular and manuals presented. It details the entire flow of activities, from planning and resource organization actions, which anticipate the entry of new franchisees, through monthly support, which justifies the payment of royalties, until the moment the franchisee leaves the network. In general, all the processes that must be developed by the franchising company are included in the proposed operational model.

4.3.4 Training and support

Training and support are the main services that the franchisor provides to its franchisees. In this way, the success of the business depends not only on excellent service provision, but also on the organization of delivery channels, so as not to overload the franchising company in order to prevent it from searching for new partners, candidates for franchisees. Due to the impact of these processes on the expansion of the network, a training and support roadmap was prepared, presented in Frame 8.

Training and support roadmap		
Purpose / Description	**departments**	**contents**
Training for implementation (initial - autonomous via the course system and also live in person at the franchisor or remotely with the franchisor)	General Administration	Planning and execution; point selection; company opening; tax regime; management accounting, membership of a trade union among others.
	Financial management	Budget and application of financial resources; cash management; purchases.
	Human Resources	Recruitment and selection process (when necessary to hire); guidelines to the franchisee on training the franchise team on the operational method.
	Marketing	Preparations for the inaugural marketing and lead capture; Brand marketing; Direct marketing; Pre-inaugural campaign; mix of courses, materials and methods; enrollment.
	Pedagogical	Application of the method in the classroom.
Remote support during deployment	Resource management	clear doubts
Training for the opening (intermediate, autonomous via the system and also live remotely with the franchisor)	General Administration	Inauguration planning and execution; school organization for the opening.
	Financial management	Initial cash management and working capital; purchase of initial teaching materials; accounts payable and receivable; portfolio management; credit and collection, among others.
	Human Resources	Hiring and team building process; professional etiquette and brand culture; Plan for jobs and wages.
	Marketing	Brand marketing; inaugural direct marketing campaign; partnerships; enrollment funnel; prospecting and registration of leads; approach; enrollment process
	Pedagogical	Courses and application of the method; first show class; student integration; student maintenance.
Remote support for grand opening	Administration and Marketing	clear doubts
Periodic training (sectoral and autonomous via the course system)	all departments	All school processes.
Training of specific actions and implementations (if any)	Only the affected department	As per demand.
Remote support - open channel	all departments	clear doubts

Frame 8: Roadmap for franchisee training and support
Source: Prepared by the author (2022).

The roadmap presented in Frame 8 aims at the best organization of the franchising company, in order to facilitate the training process, as well as support for new franchisees. In addition, it sets limits for this provision of services, disciplining franchisees from the beginning of the business franchise agreement, to seek solutions within the franchisor's rules. It is observed that in the first training, soon after signing the contract, the franchisee starts training independently, through the brand's course system. It is as if he were a student of the network, but his course is specific to franchisees. The difference between the first and the others is that the franchisor's participation is essential.

Regarding the participation of the brand founder, it is suggested that it be expendable, so that the growth of the network is not limited, even if it is the main character. The franchising company, as well as all its processes, needs to have autonomy so that there is sustainable growth.

As for the departments and content to be discussed in the training, as well as its content, it is up to the franchisor to define its own parameters. This training and support roadmap was designed based on the shop in shop model, which enables the accelerated growth of the brand. The suggestion of this roadmap complements the intervention proposal as an integral part of the expansion strategy of the Wit Idiomas e Tec.

5 FINALS CONSIDERATIONS

This research aimed to develop an application plan based on the analysis of how the implementation of franchises in shared spaces can result in an effective expansion strategy in small cities. Therefore, the study was structured in 3 stages. In the first stage, the potential market for open courses was characterized, through a survey of the current scenario of the education sector in the segment of open courses in the country.

The results of the first stage infer the high potential for opening schools in all Brazilian states, both in cities between 5 and 40 thousand inhabitants with the shop in shop format, recently implemented by the network studied, and in cities with more than 40 thousand inhabitants with the standard franchise format, in addition to the shop in shop. The population analysis of the country revealed that of the 5.570 municipalities in the country, 3.451 have between 5 and 40 thousand inhabitants and only 869 have more than 40 thousand inhabitants. But this does not mean that larger cities should be rejected by the network.

As for municipalities between 5 and 40 thousand inhabitants, in which previous studies on the expansion of franchising in Brazil indicate that there is greater potential for expansion due to low competition, the potential for implementing a shop in shop format in each County.

In the first stage, it was also possible to identify that despite 73.1% of the country's population living in cities with more than 40 thousand inhabitants, 47% of all the potential for implementing schools in the country was found in cities between 5 and 40 thousand population. These results reinforce that the greatest opportunity for expansion in relation to the housing proportion is in municipalities of this population size, which are also identified by the literature as the neediest of franchises and with less competition.

In the second stage, the analysis of the financial viability of the two franchise models offered by the network was carried out. To interpret the results of the analysis of financial viability and investment risk, the formulas of the following methods were used: Net Present Value (NPV); Internal Rate of Return (IRR); Profitability Index (LI); and Payback (Time of Return on Investment).

The results showed that although the shop-in-shop franchise format performed better, the standard franchise format also proved to be financially viable, but with greater risk than the first. The data revealed that the investment in the standard franchise format is about 29% higher than the investment in the shop in shop format, while the monthly profit forecast, with the same revenue, is potentially lower, due to the greater amount of expenses of the standard format.

When comparing the results of the second stage with the results of the first, it is possible to observe 2 fundamental points: (1) cities between 5 and 40 thousand inhabitants, where competition is less or non-existent, are the most suitable for the shop in shop model due to lower investment needs and lower maintenance expenses, which reduces risk; (2) cities with more than 40 thousand inhabitants, which have high competition, in addition to supporting the implementation of franchises in the standard format, can also be indicated for the shop in shop format, due to the same reasons. With greater competition, a low-investment, low-maintenance operating model can be a real competitive differentiator.

In the third stage, an intervention proposal was prepared for the implementation of a new expansion strategy for the Wit Idiomas e Tec brand. For the formulation of the new expansion strategy, the findings of the previous stages were used, suggesting that the focus should be on the implementation of schools in the shop in shop format in cities between 5 and 40 thousand inhabitants.

Regarding the implementation stages of the new network expansion strategy, it was suggested: (1) the search for partners, candidates for franchisees, through a personalized profile analysis; (2) the flow of dissemination and expansion in a “snail” format and geomarketing tools; (3) a schedule for opening new franchises; (4) an operating model for the franchising company; and (5) a network-specific training and support model.

Despite the focus of the present study being on the implementation of franchises in shared spaces as an expansion strategy in small cities through the shop in shop format - which implies in more than 3.450 municipalities with the potential to implement this format, with little or no competition – it was found that the standard franchise can also be implemented in larger cities, given the high potential of large centers. Another factor considered for the indication of a strategy that does not restrict the standard franchise format was the verification of its economic viability, although the shop in shop format has proved to be more attractive from the investor's point of view. However, nothing prevents the franchisor network from implementing both franchise models in cities with more than 40.000 inhabitants, increasing their possibilities for expansion.

Thus, this work concludes with the indication of a more comprehensive and complete expansion strategy: focusing on small towns between 5 and 40 thousand inhabitants, as there is little or no incidence of educational franchise networks in most of them, constituting a great development opportunity with the shop in shop format. However, without excluding the standard franchise format, which can also be implemented in larger cities, increasing the strength of the brand on the national scene. Working with both franchise formats, the chain will be able to leverage its growth. In addition to being able to bring an important social benefit to the various cities in the country, with the offer of qualification, regardless of housing size.

The present research does not have a permanent character, admitting limiting factors. The first is related to the lack of previous studies on the subject. It is also admitted, as a research limitation, the use of a qualitative approach, through the case study, which addressed the restricted context of the Wit Idiomas e Tec network, making it impossible to conclusively generalize the results.

Among the research contributions, the characterization of a new franchise format stands out, as a suggestion for franchise chains in the educational segment to invest in new expansion strategies with a focus and/or that contemplate the opening of units in small towns, the which will make it possible to offer greater training to populations in need of this type of service, constituting an important social benefit.

Although there are still many challenges for franchising expansion in Brazil, as a business expansion strategy, the potential and future trends of this business system must be considered, which justifies the continuation of studies on this topic. In this sense, it is suggested for future research: (a) studies focusing on the better distribution of franchise networks in Brazilian municipalities; and (b) studies under other research approaches and techniques, which may elucidate questions about the performance and contribution of franchise networks to the country's economic and social development.

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APPENDIX A – TEXT EXTRACTED FROM THE FRANCHISE OFFER CIRCULAR OF THE WIT IDIOMAS E TEC NETWORK.

6 - PROFILE OF THE IDEAL FRANCHISEE

a) The selection of franchisees for our franchise network is based on the search for people with a high entrepreneurial profile, dynamic, enthusiastic about a new perspective on life and fully identified with our brand.
b) The ideal profile of candidates for the WIT IDIOMAS E TEC franchise involves, in general terms, the following characteristics:
c) a) Gender: Indifferent;
d) b) Age: over 21 years old;
e) c) Education: Completed higher education (preferably in the areas of Marketing/commercial, Administration, Accounting, Technology and Informatics, Languages and Education);
f) d) Experience: There is no need for previous educational or business experience. However, commercial and pedagogical and/or managerial and/or language skills are desirable;
g) e) Availability: The number of franchise partners is irrelevant, however the FRANCHISOR recommends no more than 3 partners, provided that at least one of the partners can dedicate full and exclusive time to the operation of the franchise.
h) f) Incorporate a company: The Candidate must own a company or establish one specifically for the purpose of taking over the operation of the Franchise.

O The ideal franchisee should still contain the following personal attributes:

a- Suitability;
b- Maturity and emotional stability;
c- Ease of communication and relationship with people;
d- Creativity and certain leadership skills;
e- Administrative capacity;
f- Dynamism and initiative;
g- Marketing, strategic and marketing vision;
h- Persistence in achieving goals;
i- Identity and profile with the franchise business;

j- Sufficient financial resources for the investment in setting up the franchise, without compromising the necessary working capital essential for the first months of business maturation; and

k- Acceptance of a partnership system, which involves standards of behavior and performance in total harmony and observance of the principles and norms that are part of the franchising system formatted by the franchisor.

l- Must be available to travel and participate in meetings and training as instructed by the Franchisor.

m- Knowledge of Computer and Smartphone applications (operating and handling electronic files, transferring data and files over the Internet, performing periodic software updates with ease);

The franchisee must also be prepared to face the following challenges:

- Select, hire and train your franchise employees, if necessary;
- Coordinate all activities developed by your school's employees and instructors, always keeping your team properly trained and qualified for the performance of their functions and attributions;
- Commercialize the courses included in our education system, organizing the opening and beginning of new classes, aiming to achieve in the first semester the established goal of maintaining the minimum number of students suggested by the franchisor in its courses, according to the characteristics of its city and region;
- Organize purchases for the school, directly from the franchisor or from suppliers indicated by it, acquiring all the materials and equipment necessary for the franchise's good operational performance;
- Be responsible for the quality of the courses and the professional qualification of the instructors hired by the school; and
- Manage the operational and financial area of the school, ensuring the high concept of the WIT IDIOMAS E TEC brand, whether in terms of the quality of the teaching provided, or with regard to the strict control of cleanliness and hygiene of the franchised institution's premises.