

SUCCESS FACTORS OF MICRO-FRANCHISE BUSINESSES IN MALAYSIA

Nurbani Md.Hassan¹, Ummu Fatimah Al-Zaarah Zulkifli¹, Noor Ashikin Mohd Rom¹, Mohamad Shaharudin Samsurijan²

Abstract

The traditional franchise business normally requires a huge amount of investment that will only provide opportunity to the middle and high-income group. However, micro-franchise which based from the traditional franchise has proven to be a successful method of owning a business and contributes to positive economic growth for the low-income group. Malaysia has replicated the concept and launched the micro-franchise business in year 2012 with the aim of giving low-income and poor people the opportunity to own a business with affordable start-up costs. Since then, the low-income group has embraced the micro-franchise business model as the source of income generation. While micro-franchising has been around in other parts of the countries for so many years, remarkably, very few studies on micro-franchise business model has been published, let alone, in Malaysia. Therefore, this research attempt to identify the success of micro-franchise business in Malaysia, particularly in the state of Selangor. This research employed an explanatory case study method, using the semi-structured interview to collect the data on 11 micro-franchise enterprises. The findings of this research have shown that the low-income people are able to keep-up and embraced the model successfully. Among the success factors highlighted were product continuity and consistency, brand reputation and credibility, strategic business location, high profit margin and faster break-even and franchisees' personal traits and characteristics.

Keywords

Business, franchise, micro, model, success

¹ Multimedia University, Cyberjaya

² School of Social Sciences, Universiti Sains Malaysia

***Corresponding author:**

Email: msdin@usm.my

Introduction

Franchising in Malaysia has grown rapidly since it was introduced in 1940s, with the first franchise businesses introduced were "Singer" an American manufacturer of consumer

sewing machine and "Bata", a Czech Republic manufacturer and retailer of Swiss-domiciled multinational footwear and fashion accessory (Malaysian Franchise Association, 2018). Approximately 20 years after the introduction of "Singer" and "Bata", the food and beverage-based franchise businesses such as A&W, KFC and McDonald entered the Malaysian market and have grown rapidly ever since. Though the franchise businesses in Malaysia were started with the international franchise, similar concept was long practiced by Malaysia using the concept of "*pawah*" in which the landlord or the owner of the agriculture land grant rights to farmers to breed livestock or grow vegetables/crops, in exchange for profit sharing (Malaysian Franchise Association, 2016). Over the years, Malaysia has developed its own home-grown franchise businesses especially in food and beverage sectors such as "Sate Ria", "Marry Brown", "Manhattan Fish market", "Tealive", "Coolblog", "Old-town white coffee", and started to develop franchise businesses in other sectors such as oil and gas (Petronas petrol station), Automobile (EON), craft/gifts (Royal Selangor).

Nevertheless, the franchise concept is only available to those with a large amount of capital, as franchises typically require a large initial investment. The concept has 'excluded' those in low income group who want to be entrepreneurs but unable to do so due to the high initial investment requirement. In order to bridge the 'gap', the government of Malaysia has introduced the micro-franchise concept in 2012 which offers opportunity to the low-income group to operate and own a business with low initial capital. Micro-franchise has helped the low-income and poor people to climb out of poverty and it was suggested that micro-franchising could help people with low educational background to get out of poverty much more easier than traditional business approach (Hürlimann, 2011). In Malaysia, The Ministry of Domestic Trade and Consumer Affairs has been actively promoting the micro-franchise business to B40 and even to M40 groups (Bernama, 2020). Micro-franchise is a subset or replication of the franchising concept, that distributed standardized products and services but in small scale (Runde, 2016). Similarly, franchise is "characterised by an ongoing business relationship between franchisor and franchisee which includes not only the product, service and trademark but the entire business format itself like a marketing strategy and plan, operating manuals and standards, quality control and continuous two-way communications. Micro-franchises exist within Bottom of Pyramid (BOP) rather than developed markets and the meaning of "micro" indicates the social environment of the business model that includes an ambitious objective on well-being and welfare of the micro-franchisee community in rural area (Fairbourne, 2007).

Micro-franchising is a phenomenon that inspires the entrepreneurs at the bottom of the pyramid to have a greater opportunity in the business sector. It is a business model that meets the needs of small and medium-sized enterprises and is well accepted as a replicable business model (Christensen et al., 2010; Lehr, D, 2008) and have a systematic system such as a mentoring system and an efficient operational concepts to be followed by those who wants to engage in entrepreneurship especially those who lives in subsistence market. While micro-franchising has been around in other parts of the countries for so many years, remarkably, very few studies on micro-franchise business model has been published, let alone, in Malaysia. Therefore, this study attempts to identify the success of micro-franchise business in Malaysia, particularly in the state of Selangor. The literature reviews are

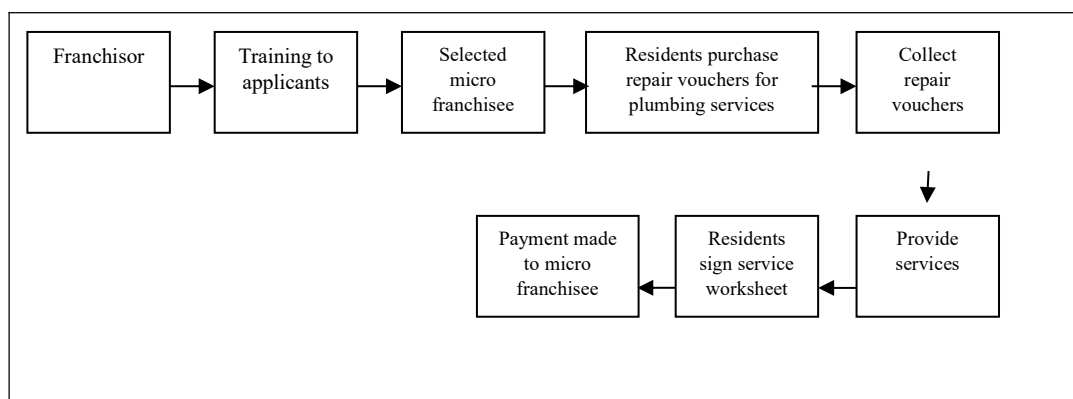
discussed in the next section, followed with data analysis and results, explanation of the findings and its implications before concluding the whole study.

Literature Review

Successful Micro-Franchise Programme outside Malaysia

Micro-franchise has been established for quite some time in other countries outside Malaysia, such as in India, Mexico, Kenya and has proven to be successful in eradicating poverty. In Kenya, East Africa, many people live in a remote rural area where proper medical care is difficult to find and due to this, the Health Store Foundation (HSF), a United States based foundation has set-up a programme designed to provide easy access to drugs for the sick people (Illetschko, 2011). In this programme, the foundation provides micro loans to the health-care workers to start their own for-profit child and Family Wellness Shop (CFWshops). CFWshops was founded in 1997 with the goal of providing good healthcare at affordable and reasonable cost and it has been a huge success. The CFWshops are currently operating via 85 stores and through continuous expansion has kept the prices affordable while also providing a good life for its micro franchisees, proving that the business is viable (Illetschko, 2011).

A large plumbing company in South Africa has developed a micro-franchise business concepts with the assistance of the local municipal to provide plumbing services in low-income areas with high population density. The micro franchise business flow can be best described via the diagram shown in **Figure 1** below:

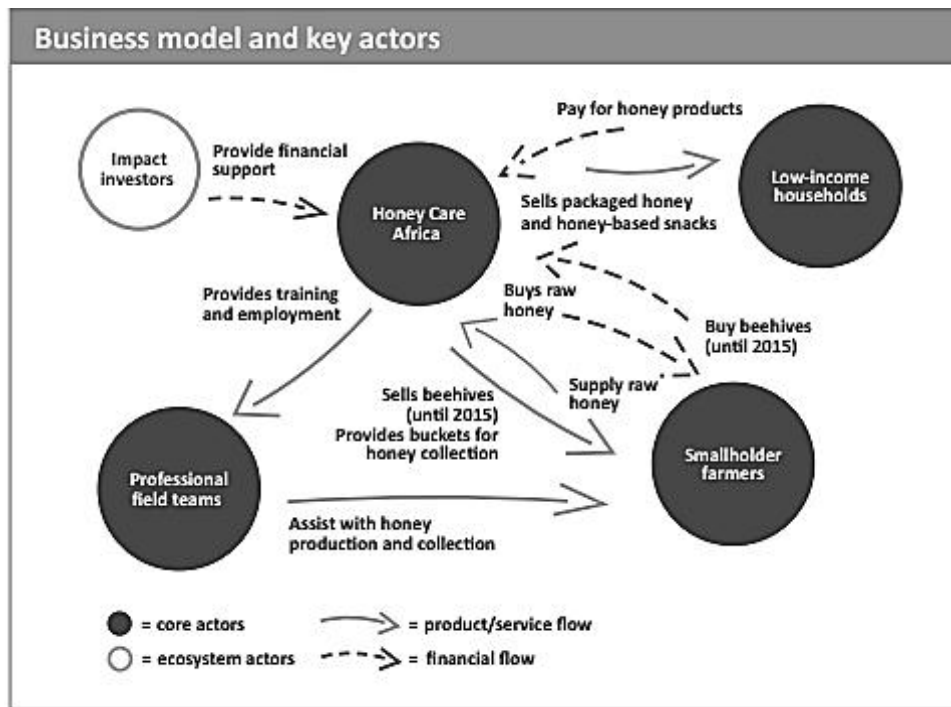


Source: Modified from Illetschko (2011)

Figure 1: Micro franchise business flow: A Plumbing Company

The Honey Care Africa (HCA) in Kenya is also of the successful micro franchise programme which helps the small farmers to become commercial producer of honey. HCA was founded in year 2000, to provide honey on a contract basis at a fixed and competitive purchase price. It provides part-time beekeepers, highly productive beehives, equipment and training, and purchases all of their production at reasonable prices (FUNDES, n.d.). The

HCA business model is unique in that it incorporates the low-income people as producers, employees and consumers throughout its value chain (Hofling, 2017). The HCA's honey production value chain and its innovative business model have aided the programme's success. **Figure 2** depicted the business model of HCA and its key actors, which included the micro franchisees (the small farmers), the franchisor and the clients.



Source: Hofling (2017)

Figure 2: Honey Care Africa (HCA)'s business model and key actors

The Shakti Amma project in India exemplifies the success of the micro franchise programme. In year 2000 Hindustan Unilever (HUL) launched the Shakti Amma project and by 2004, the project managed to break even and the company has continued to scale-up the project (Scheffler, 2010). The objective of the project is to reduce the distribution costs while also teaching poor consumers the benefits of using soap and iodized salt which have long been taken for granted. Instead of distributing the products to remote outlets, HUL appointed the micro franchisees who are in charge of doing so. The micro franchisees also sold the product directly to consumers in order to earn better profit margin. HUL regarded that Shakti Amma is their best-known delivery model micro franchisees helped HUL to overcome their problem in distributing the goods to remote outlet (Scheffler, 2010). Shakti Amma project has no fees and the model was based on profit margin and this might also be the reason that contributes to the success of the project. Nevertheless, the micro franchisees are required to pay for the initial stock costing USD220-USD330 and this were funded by Self Help Group (SHG) or micro finance by provided by HUL. Shakti Amma is a win-win project because not only does HUL have decent products, but it also has a specific network in place created by its trusted micro franchisees and this is regarded as a strong system for franchise business structure.

In Mexico, a multinational company supplying construction materials, called Cemex has created a micro franchise business under its subsidiary called Patrimonio Hoy (PH). PH was launched to meet the needs of low-income clients looking to build or improve their existing homes (Esper & London, 2013). The aim of this project is to improve home safety and quality while also improving the client's health, wealth and education (CEMEX, 2019). Overall, PH provides low-income customers with construction materials, financing and technical assistance that are tailored to the customer's need and budget (Maguire, 2017). PH is a 70-week membership programme with weekly payments that provides low-income clients a home improvement services by supplying the building materials. When low income clients want to build house, PH will conduct a thorough technical and financial evaluation before offering the construction materials and goods to the clients or residents. When the residents make the first weekly payment, then they become partners and the payment will continue over the time, allowing the economies of scale to be transferred to clients, lowering the cost of goods relative to purchasing retail (Maguire, 2017).

The micro franchise programme has long started in other part of the world and has been very successful in helping the franchisees to increase their economic status. The model, structure, scale and concept of micro franchising initiatives allow the local entrepreneurs to actually respond better to the need of the local communities (Rogers et al., 2011).

Micro franchise Programme in Malaysia

The government has been actively supported the micro franchise programme since its inception in 2012, especially for B40 and M40 communities. In so doing, the government has allocated approximately RM5 billion in 2021 budget to the Ministry of Domestic Trade and Consumer Affairs (MDTCA) to implement the micro franchise and affordable franchise programme (MDTCA, 2021). The Ministry has vigorously promoted the idea of micro and affordable franchise to enable the business owners to expand their business and to build more franchise entrepreneurs among the younger generation. Micro franchises, according to MDTCA, begin with initial investment of RM50,000 or less and are aimed at people in the B40 and M40 groups who want to start their own business as franchisee. On the other hand, affordable franchise starts with investment of RM100,000 or below and its open to all income group who want to become the franchisee. The success of the micro franchise programme in Malaysia were hardly discussed and published and therefore, this study attempts to find out the factors that contribute to the success of the micro franchise businesses in Malaysia. The micro franchise businesses in Malaysia are mostly from the home-grown brands as it is low cost and more affordable. **Table 1** shows the list of home-grown brands that offer the micro and affordable franchise package.

Table 1 shows that the affordable franchise package is more than the micro franchise package and to encourage more people to become micro entrepreneurs, more micro franchise package needs to be offered.

Table 1: Micro and Affordable Franchise Package

No.	Brand	Sector	Investment (RM)	Package
1.	ELV	Clothing	28,000	Micro
2.	Ani Sup Utara	Food & Beverage	22,000-35,000	Micro
3.	MD Putu Bambu	Food & Beverage	50,000	Micro
4.	Taska Bonda Mama	Education	50,000	Micro
5.	Ayam D'Penyet	Food & Beverage	68,000	Affordable
6.	Global Art	Education	79,840	Affordable
7.	Arjuna Village	Food & Beverage	80,000	Affordable
8.	Home: Math Therapy Centre	Education	85,500	Affordable
9.	KopieSatu	Food & Beverage	85,000-95,000	Affordable
10.	V-Agromart	Retail	89,701	Affordable
11.	Q-Dees	Education	95,000	Affordable
12.	Liviva	Consultation	40,000-100,000	Micro Affordable

Source: MDTCA (2021)

Success Factors of Micro Franchise Programme

Previous literatures revealed that there was little discussion on micro franchise businesses in Malaysia, particularly on their success factors. The discussion of the success factors in the literatures are mainly from the countries outside Malaysia. As such, **Table 2** summarized the success factors of micro franchise programme as discussed in the previous literatures. The success factors will be the parameters of the study in determining the success factors of micro franchise businesses in this study.

Table 2: Success Factors of Micro Franchise Programmes

No	Authors	Success Factors
1.	Lehr (2008); Rigter et al. (2014); Hofling (2017)	Simple & unique business model
2.	Hürlimann (2011); Rigter et al. (2014)	Trusted Brand
3.	Lehr (2008)	Strategic location
4.	Magleby (2007); Pratt, A (2009)	Continuous training & support
5.	Hofling (2017); Lehr (2008)	Efficient supply chain
6.	Scheffler (2010); Rigter et al. (2014)	Distribution network

Source: Compilations from various authors

Methodology

The aim of the research methodology outlined and addressed in this section was to provide and clarify the methodology used to achieve the study's objectives. In order to do so, the fundamental principles of methodology must be fully understood, particularly in qualitative research. These principles include a belief in multiple realities, a situation or a phenomenon, commitment to the participants' viewpoints, conducting interviews or inquiries within the natural context of the phenomenon, and, last but not least, reporting findings based on the rich data extracted from the participants' comments and feedback (Streubert & Carpenter, 2011).

This research sought answers about how micro franchise businesses were able to adopt the micro franchise successfully, and it would be too complicated to find out the answers to the research question by survey and experimental strategies. As a result, the use of an explanatory case study research method is fitting for this study, as explanatory is a research method that attempts to clarify the knowledge phenomenon in order to make it more understandable (McNabb, 2015). Simply put, the term explanatory means that the researcher is attempting to clarify rather than simply identify the phenomenon under investigation (Given, 2008).

Purposive sampling was used to choose the participants, as in qualitative analysis, the qualitative investigation focuses on a relatively limited, in-depth sample that is intentionally chosen (Patton, 1990). The participants were chosen based on two factors, namely that the business had reached break-even and had been in business for at least two years, in order to ensure that the participants matched the study objectives. In general, a qualitative researcher faces difficulties in deciding the sample size for their study, but there are methods that can be used to justify the sample size (Marshall et. al., 2013).

The sample size in this study is justified based on the data set saturation, as saturation is commonly used by the researchers as a guiding principle during the data collection (Mason, 2010). Initially, the sample size selected was 20 micro franchise business from food and beverage sectors. To reach data saturation, the data was collected and analyzed in steps, rather than waiting until all the participants have been interviewed. After the data has been collected from the 8th participants, the analysis was carried out to find out if the data has reached saturation. The process was repeated a few times before the fifteenth (15th)

participant, at which point it was noticed that the feedback was nearly identical to that of previous participants, and data analysis showed no new codes or themes.

Semi-structured interviews were conducted to collect the data on 15 participants comprised of micro-franchise businesses (franchisees) in the State of Selangor. The list of the participants as enclosed in **Table 3**.

Table 3: List of Research Participants

No.	Participants	Gender	Years in business	Business set-up
1.	P1	Female	6 years	Food Court in Supermarket
2.	P2	Female	5 years	Food Court in Government Building
3.	P3	Male	8 years	Food Court in Mall
4.	P4	Female	2 years	Food Court in Mall
5.	P5	Female	6 years	Food Court in Mall
6.	P6	Husband & Wife	6 years	Food Court in Mall
7.	P7	Husband & Wife	6 years	Food Court in Supermarket
8.	P8	Husband & Wife	5 years	Food Court in Supermarket
9.	P9	Female	7 years	Food Court in Supermarket
10.	P10	Male	4 years	Food Court in University
11.	P11	Male	3 years	Food Court in Mall
12.	P12	Female	2 years	Kiosk in Mall
13.	P13	Male	7 years	Food Court in Mall
14.	P14	Female	3 years	Kiosk in Supermarket
15.	P15	Male	6 years	Food Court in Mall

Results and Discussion

The objective of this study is to identify the success factors of micro franchise businesses in the State of Selangor and thus 15 participants have been interviewed to obtain the data. The interviews were audio recorded, transcribed verbatim and then coded accordingly. The data obtained from this study was analysed using content analysis. Content analysis is a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the context of their use (Krippendorff, 2013). The codes and themes that emerged from the data analysis are shown in **Table 4**.

The results showed that the success factors for micro franchise businesses in the food and beverage industries are nearly identical to those in franchise business other than food and beverage. Product consistency and quality, brand reputation, clear and simple business model, a strategic business location, high profit and faster break-even were among the success factors discovered. In addition, the business owners' personal traits and characteristics such as hard work, committed, proactiveness, and strong perseverance also lead to the success of micro franchise business owners.

Table 4: Codes and themes

Codes	Themes
Tasty Food Food Quality Follow recipes Simple preparation Consistent taste & preparation Food Styling Food portion/serving Fast preparation	Product continuity and consistency
Customer recognize brand Signage & logo Trust the brand Loyal customer Well know brand Average brand Long establishment of brand	Brand reputation
Easy procedure No skills needed Low investment cost Short training Flexible operation Easy and simple guideline Full ownership of business Work independently Understandable standard operating procedure	Clear and simple business model
Convenient location Location in high-foot traffic Preferable in Mall/Food Court Prefer government offices High walk-in customers	Strategic business location
Recoup investment in 1 year Profit of 30% to 50% Sales increase Business is profitable Raw material cost Profit of 50% to 60% Able to sell products daily	High profit margin and faster break-even
Effort Commitment Good Public Relation High perseverance High learning Ambitious Focused Capable Determined Teamwork	Franchisees' personal traits and characteristics

Product Continuity and Consistency

It is vital to ensure customer satisfaction in the food and beverage industry, especially in the franchise market, by preparing food that meets the necessary standards. The franchisor provides the guidance on the meals prepared, the ingredients used, the presentation, the portion size, and the serving style, which ensures consistency and quality in terms of taste and style. Nevertheless, the consistency and the quality services of the brand is the key to success in establishing the brand (Pratt, 2009). In this regard, P3 shares his feedback as follows:

The procedure to prepare the meal is very simple, as long as you do not break the rule, do not modify the original recipe and follow the exact measurement in making the soup. It depends on us, the franchisee to follow strictly because if not, it will affect the meals and the customers might not want to come again.

Brand Reputation

The brands associated with the franchise business are well-known and well accepted by the customers. To put it another way, a reputable brand is required in order for a company to thrive. The franchisor is responsible for the brand's name growth so that franchisees can easily market the product. In addition, the brand reputation is also one of the factors that influence the franchisees to venture into the franchise business. P2 shares her opinion with regards to the importance of having a reputable brand:

Our franchise brand is well-known and customers are familiar with our brand, especially among the Malays.

On the other hand, another participant P7 responded as follows:

Our brand is an ordinary brand with the target customers that does not include people of all ages. For example, the youth do not care for our noodles and prefer sizzling. However, since our brand has its own target customers, we continue to exist in the industry.

This finding seems to correspond with Chen and Dimou, (2005) who stressed that brand name and reputation as one of the influential factors that influences franchisees to embark in the business opportunity.

Clear and Simple Business Model

One of the success factors that leads to the success of the micro franchise business is a business model that is easy to understand and execute, as well as simple to adopt. In general, a business model explains how an organization generates, delivers, and captures value (Osterwalder & Pigneur, 2010). Clear and simple business model also influence the franchisees to actually venture into the franchise business and subsequently managed to

steer the business into greater height. It was found out that all the participants agreed that franchise is an easy concept and simple system that makes almost every participant have no problem in managing the business. Training provided also very helpful to the participants to fully understand the whole system of the business model and everything is tailored accordingly. P3 shares his opinion as follows:

So far, it has been a very rewarding and successful 8 years with my franchisor and just follow the guideline provided by them, you can run the business already. But of course, to sustain, you need to work hard too.

Similar opinion was shared by P04, who mentioned the followings:

My franchise business model appeals to me, and having a structure, or standard operating procedure, makes it simpler. Despite the fact that there are no monthly payments or reports needed, I can easily monitor my financial flow and maintain discipline. This is one of the benefits of working in a franchise system; everything is pre-made and organized, unlike when I run my pastry company on my own, where everything was out of order.

A transparent and simple business model is an important tool for the franchisee to run successful business (Fairbourne, 2006; 2011).

Strategic Business Location

One of the factors that contributed to the success of the business was strategic location. A business's location is critical, particularly if the company relies heavily on walk-in customers. The research participants of this study consist of franchisees from food and beverage sectors and thus, the businesses are often located in a mall or supermarket. P10 mentioned as follows with regards to the importance of the strategic location:

The most important factor in achieving success, especially in the food industry, is strategic location. And if we don't get any customers after we open the franchise business, we still have to pay for operating costs. One of the reasons for the importance of location is that it must be as strategic as possible. Once we've reached an understanding with the landlord, we must make the agreed-upon deposit. If we have chosen the incorrect spot, there is no other way to solve the problem. We can only close the kiosk and try to find a more convenient spot.

In addition, P12 also shares the similar opinion as follows:

People come to NSK Supermarket to buy groceries, particularly on weekends, so it's a busy supermarket. Furthermore, the Malay community makes up the bulk of the clientele. As a result, my kiosk's sales are consistently strong. We also have a small office space nearby.

On the hand, P05 shares her opinion on the importance of having a good location for the business:

Because of my kiosk is located indoor location and lack of traffic, my kiosk is unsuitable. I still have some management concerns with respect to piping and electrical issues.

Strategic or good location is important for the success and growth of micro franchise business especially in high-foot traffic location (Fairbourne, 2006).

High profit margin and faster break-even

One of the factors that lead to the success of the company is a profitable business with a strong profit margin and the ability to reach a faster break-even point. These factors are also critical in ensuring the business's long-term viability. The majority of study participants admitted that their franchise business venture is profitable and provides a healthy profit margin, ranging from 30% to 50%. Furthermore, some participants were able to reach break-even quicker, while others took between one and two years. P2 shares her opinion as follows:

Sales are high on weekdays and even higher on weekends and the business is profitable. Profit margin for our product is ranging from 30% to 50% depending on the price of the raw materials. For me, it is a healthy profit margin.

The above assertion was further confirmed by P10 who stated:

Business is profitable. Those days we can get up to 55% to 60% profit margin, but due to the increase in raw material cost, the profit margin is getting slimmer, but we can still sustain. But of course, business depends, there is time when students keep coming because of the price is reasonable and affordable for them, and it is closer to their campus. But there is time when our sales drop because the students is on semester break.

In addition to the above, P03 confided that:

First 3 months was quite a struggle but in running a business, we need to enhance our skills and be open to serve customers the best we can. Work hard until we succeed. Before I opened the business here, the average daily sales of other kiosks here is approximately RM250 to RM300 but when I started my franchise business here, my daily sales reached RM1,000. Now, daily sales average RM800 to RM1000 including beverages while soup related menu about RM600 to RM800. I can assure at least 40 bowls of soup is sold every day with 100 grams of vermicelli. Normally, Friday would be the lowest sales of the week. Monthly sales average from RM16,000 to RM17,000 while raw ingredients cost me RM1,500 weekly or RM300 daily, which I will buy myself. While other ingredients cost about RM350 weekly for or 5 days. Profit should be 30% out of total sales to roll over for next month. With capital of RM1,000, the profit must be RM300 or more back then when I started. After 3 years in business, I could even reach profit of 50% from total sales but nowadays it is very challenging because price

of goods has increased. I can recoup back my investment within 1 year of opening my business.

Participating in the micro franchise business able to yield monthly profit and it may not always high for micro franchise, but given the lower start-up cost, the return on investment should be higher (Christensen et al., 2010).

Franchisees' personal traits and characteristics

Personal traits and positive attributes of business owners are also one of the significant drivers of success in micro-franchise business, according to the study of responses. Hard work, commitment, proactiveness, and strong perseverance were described as personal traits and characteristics among franchise business owners. In this regard, P2 stated:

When I wanted to start a business, I looked all over for a suitable location to open a food and beverage business before I came across this location (food court at NSK Kota Damansara). When the franchisor agreed to the place that I chose, my efforts to find a good location for my company paid off.

In addition, P3 mentioned the following:

When we own a business, we must also be employees. We need to work closely with our team, and we need to know what our customers think of our food.

Aside from putting in a lot of effort and being a hard worker, an entrepreneur must also be dedicated and reliable once they own a company. As P5 said, their daily routine has completely changed, and they must stick to the schedule in order for it to run smoothly every day. Below is the feedback from P5:

Since the food is the brand's heart, an entrepreneur must work hard, be skilled in financial management, and maintain the food's quality. When I first started this company, my daily routine completely changed. I have to get up at 5.00 a.m, if I get up late at 730 a.m., I won't be able to open the kiosk that day because there is a lot that needs to be done before we open in the morning. Soup preparation and cooking on a regular basis. We must prepare for the next day's preparations every evening before closing the kiosk. It takes a lot of dedication and hard work to stay in this company.

In addition, when it comes to surviving in company, high perseverance, determination, and a strong-willed criteria(s) are critical. These were confirmed by P2 and P8 who confided as follows:

One of the best ways to succeed in a franchise company, or any business, is to have a high level of perseverance, complete engagement, and refusal to give up.

Based on the findings above, the franchisor's designed franchise system, as well as the franchisees' abilities, attitude, and personal characteristics, all contribute to the success of the micro franchise business in Malaysia. The franchisor's franchise system, which includes product continuity and consistency, brand recognition, a transparent and simple business model, a high profit margin and break-even point, and a strategic business location, was predetermined by the franchisor to ensure the business's success and profitability. The franchise system, combined with the franchisees' positive personal traits such as hard work, commitment, proactiveness, and high perseverance, has allowed the business to succeed. **Figure 3** demonstrates the success factors in a diagram.

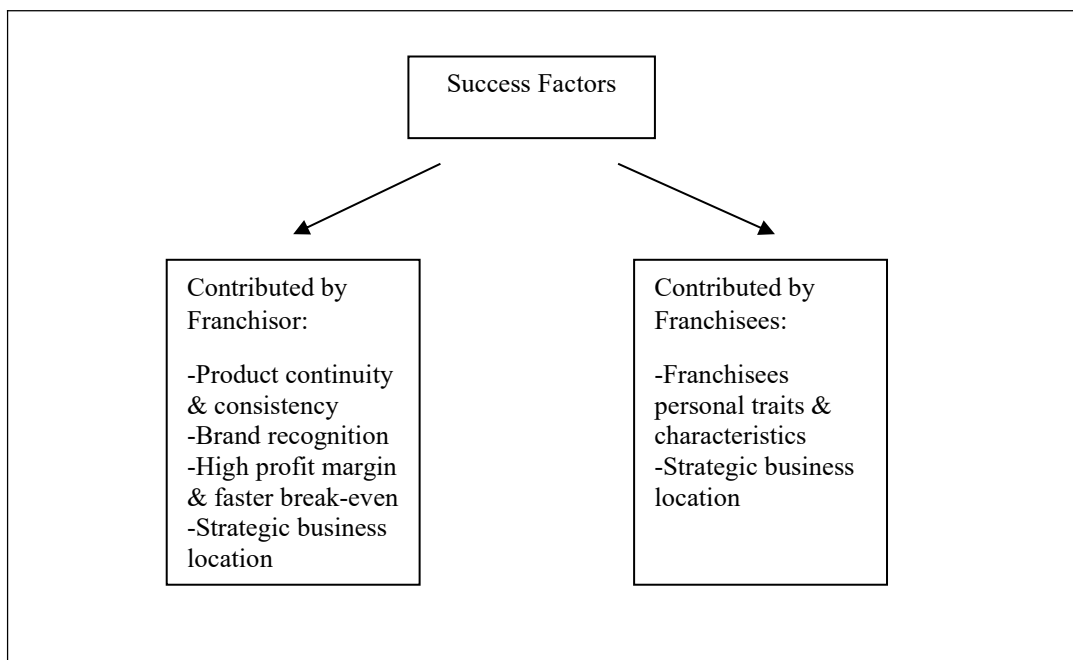


Figure 3: Success factors of micro franchise business

The success factors of the micro franchise business also suggest that the franchisees would be able to embrace the micro franchise concepts for the first time and subsequently manage to steer the business into greater heights. Micro franchise businesses in Malaysia are mostly in the food and beverage industries, as the idea is simply a scaled-down version of the franchisor's original concept. For example, a conventional franchise requires the franchisee to operate from a brick and mortar restaurant, while a micro franchise requires the franchisee to operate from a kiosk or food court.

Conclusion

Micro franchise is a low-cost franchise scheme that operates for disadvantaged people. Through this franchise system, low income and poor people can gain a fixed income and, if they put in more effort, they can obtain more. Micro franchise isn't a one-size-fits-all solution. Nonetheless, micro franchises play an important role in the informal economy by

providing business opportunities and jobs. Micro franchises allow franchisees to start their own business without having to invest in costly back-end infrastructure. The success factors highlighted in this study shows that the business concept is viable and profitable, however, it requires continuous monitoring and supervision and franchisor should not neglect their franchisees at any stage.

References

- Bernama. (2020, September 11). Domestic Trade Ministry Actively Promoting Micro-Franchise business for B40 and M40. *The Malay Mail*, 1. <https://www.malaymail.com/news/money/2020/09/11/domestic-trade-ministry-actively-promoting-micro-franchise-business-for-b40/1902397>
- CEMEX. (2019). *Social Impact: Inclusive Business Model*. CEMEX. <https://www.cemex.com/sustainability/social-impact/inclusive-business-models>
- Chen, J. J., & Dimou, I. (2005). Expansion strategy of international hotel firms. *Journal of Business Research*, 58(12), 1730–1740. <https://doi.org/10.1016/j.jbusres.2004.11.001>
- Christensen, L. J., Parsons, H., & Fairbourne, J. (2010). Building Entrepreneurship in Subsistence Markets: Microfranchising as an Employment Incubator. *Journal of Business Research*, 63(6), 595–601. <https://doi.org/10.1016/j.jbusres.2009.03.020>
- Esper, H., & London, T. (2013). Improved Sanitation and Its Impact on Children : An Exploration of Sanergy. In *Child Impact Case study1: Improved Housing and its Impact on Children: An exploration of Cemex's Patrimonio Hoy* (Vol. 1, Issue 5).
- Fairbourne, J. S. (2006). Microfranchising : A new tool for creating economic self-reliance. *ESR-Summer 2006*, 19–23.
- Fairbourne, J. S. (2007). Why Microfranchising is needed now: introduction and book overview. In J. Fairbourne, S. W. Gibson, & W. G. Dyer (Eds.), *Micro Franchising Creating Wealth at the Bottom of the Pyramid* (1st Editio). Edward Elgar Publishing. <https://doi.org/10.4337/9781847205360.00010>
- Fairbourne, J. S. (2011). *Microfranchise: Improving Income Opportunities For MFI Clients : Business Solutions For Development*.
- FUNDES. (n.d.). *Microfranchising: Development of a Micro-franchising System in Mexico* (No. 1).
- Given, L. M. (2008). Explanatory Research. In *The SAGE Encyclopedia of Qualitative Research Methods* (pp. 10–12). Sage Publications, CA. <https://doi.org/10.4135/9781412963909>

Hofling, M. (2017). *Honey Care Africa: Enabling smallholder farmers in East Africa to produce and market honey*.

https://www.businesscalltoaction.org/sites/default/files/resources/BCtA_CaseStudy_HoneyCare_Web.pdf

Hürlimann, T. (2011). *Micro-Franchising. Application and Success Factors* (Issue September).

Illetschko, K. (2011). Microfranchising in practice. In N. Sireau (Ed.), *Microfranchising: How Social Enterprise are Building a New Road to Development* (1st ed., p. 28). Greenleaf Publishing.

Krippendorff, K. (2013). *Content Analysis: An Introduction to its methodology* (3rd Editio). Sage Publication Incorporation.

Lehr, D. (2008). *Microfranchising at the Base of the Pyramid* (Issue August).

Magleby, K. (2007). Microfranchise Business Models. In J. S. Fairbourne, S. W. Gibson, & J. W. Gibb Dyer (Eds.), *Microfranchising. Creating Wealth at The Bottom of the Pyramid* (1st ed., pp. 133–153). Edward Elgar Publishing Limited.

Malaysian Franchise Association. (2016). *Vission and Objectives*.

<http://www.mfa.org.my/newmfa/vision-objectives/>

Maguire, M. (2017). *Impact Measurement Case Study: Cemex Patrimonio Hoy*.

https://businesscalltoaction.org/sites/default/files/resources/BIMSCaseStudy_CEMEX_WEB.pdf

Marshall, Bryan; Cardon, Peter; Poddar, Amit; Fontenot, R. (2013). Does Sample Size Matter in Qualitative Research?: a Review of Qualitative Interviews in Is Research. *Journal of Computer Information Systems*, 54(1), 11–22. <https://doi.org/10.1111/jan.12163>.

McNabb, D. E. (2015). *Research Methods in Public Administration and Nonprofit Management: Quantitative and Qualitative Approaches* (3rd ed.). M.E.Sharpe Inc.

MDTCA. (2021). *Micro Franchise and Affordable Micro Franchises Programme*. Ministry of Domestic Trade and Consumer Affairs.

<https://www.kpdnhep.gov.my/en/trade/franchise/micro-franchise-and-affordable-franchises-program.html>

Osterwalder, A., & Pigneur, Y. (2010). *Business Model Generation: A Handbook for Visionaries, Game Changers and Challengers* (1st ed.). John Wiley & Sons.

Patton, M. (1990). Qualitative Evaluation and Research Methods. In *Designing Qualitative Studies* (2nd ed., pp. 169–186). Sage. <https://doi.org/10.1002/nur.4770140111>

Pratt, A. (2009). Parallel Practices of Microfranchises. In *Pre-2010 E! Capstone Projects* (Issue 2009). http://digitalcommons.olin.edu/e_capstone_pre2010 Part

Rigter, H., Fischer, M., Friscic, L., & Kipker, S. (2014). *Micro-Franchising :A viable and sustainable business model for the Swiss Development Cooperation Agency ?* (Issue May).

Rogers, P. C., Fairbourne, J., & Wolcott, R. C. (2011). The Diffusion of Innovations Through Microfranchising. In Ed Nicolas Sireau (Ed.), *Microfranchising: How Social Entrepreneurs are Building New Road to Development* (1st ed.). Greenleaf Publishing Limited.

Runde, D. (2016). *Franchising and Micro-franchising: An Underused Tool for Underserved Population*. Forbes. <https://www.forbes.com/sites/danielrunde/2016/06/09/franchising-micro-franchising-development-jobs/?sh=2b622ce426ff>

Scheffler, K. (2010). *From Access to Finance to Access to Franchise : Helping Microenterprises Achieve Sustainable Growth*. Fin Dev Gateway. A Program for CGAP.

<https://www.findevgateway.org/paper/2010/08/access-finance-access-franchise>

Streubert, H. J., & Carpenter, D. R. (2011). *Qualitative Research in Nursing : Advancing The Humanistic Imperative* (5th ed.). Lippincott Williams & Wilkins.