Social Franchising as Organizational Format – An Overview

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South Africa
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Purpose

The purpose of this chapter is to provide an overview of the definitions of social franchising, the role-players in this organizational format, pre-conditions for implementing social franchise models, and market sectors where social franchising is prevalent.

Approach

The chapter consists of a review of available literature on social franchising, with notes on a social franchising project in South Africa for which the author is a consultant.

Findings

The findings show that although social franchising predominantly exists in the health sector, there is a wide scope of social services that may be franchised, provided that certain criteria contributing to the success of a social franchise model are met. Implementing a social franchise model may extend the impact of donor funding through the creation of a sustainable delivery mechanism that is scalable.
Originality/Value

This chapter indicates that there is scope for government social franchises, where a section of a government, such as a specific department, participates as franchisor. Therefore, social franchising also offers a mechanism for the delivery of essential services by governments due to the benefits of standardization and replication.
INTRODUCTION

Franchising, with its origins in the United States of America (USA), has become one of the most popular expansion methods and distribution strategies in the world today. It seems that there is no limit to the concepts that can be franchised; from pet care to restaurants, from domestic cleaning services to waste removal, there are multitudes of franchise systems operating in the world today. As an expansion mechanism, franchising has the benefit of reduced capital investment for the franchisors. Franchisees gain access to business systems and formats that have been tried and tested.

A relatively new concept in franchising is social franchising. Social franchising, also referred to as not-for-profit franchising, entails the franchising of goods and services for social rather than commercial goals. ‘First-generation’ social franchises were funded by the United States Agency for International Development in Mexico in the early 1990s (Montagu, 2002). The interest in social franchising is gaining momentum around the world, as non-governmental organizations (NGOs) and social-aid programs are considering franchising as a mechanism to deliver services and products that have social goals. The benefits of franchising, including expansion with reduced capital and the replication of a proven business system, are attractive to practitioners in the not-for-profit sector.
This chapter provides an overview of social franchising, the issues surrounding its implementation and its potential applications. The chapter is exploratory in nature and is based on an overview of literature available on the subject, as well as one in-depth interview with a practitioner. The goal of the chapter is to provide an introduction to social franchising, its potential applications and some theories on social franchising program implementation. It also refers to a current project that the author is involved with in social franchising in South Africa.

FRANCHISING AS ORGANIZATIONAL FORMAT

Franchising is an agreement between two legal entities, the franchisor and the franchisee: ‘The franchisor is a parent company that has developed some product or service for sale; the franchisee is a firm that is set up to market this product or service in a particular location’ (Castrogiovanni & Justis, 1998). However, franchising is more than an agreement. It is the replication of a proven business formula and system. It is a business relationship with mutual benefits to franchisor and franchisees. This is known as business-format franchising.

The business-format franchise is also described as the ‘carbon-copy’ format, so called because of the replication of a formula and the controls applied to ensure adherence (Castrogiovanni & Justis, 1998). It exceeds the franchising of a mere brand name, since the franchise includes a self-contained business operation. Business-format franchising is held in high regard in franchising circles, since it
usually provides franchisees with business know-how and continued management support from the franchisor.

Across the globe, franchising is at various stages of development. As the concept originated in the USA, it can be expected that the franchising industry in that particular country has reached maturity. In less developed countries, such as Singapore and South Africa, it is still seen as a vehicle for stimulating economic growth, especially because of the entrepreneurial component of franchising.

A franchised organization as a business system experiences many of the same management issues found in other non-franchised organizations. However, managerial problems and constraints occur due to franchising's unique attributes. These differentiating features include the following: a geographic dispersal of organization units, replication across units and joint ownership (Castrogiovanni & Justis, 1998). The unique problems facing franchisors in managing their franchised brands usually revolve around these differences.

In transitional economies, franchising could potentially contribute to increased management knowledge and skills, improved productivity, the creation of effective distribution channels, the enhancement of product development and consequently the increase of overall income (Sanghavi, 1998). However, some negative factors may inhibit growth of franchising in countries that are not classified as developed. Lack of managerial and entrepreneurial talent, lack of
capital for international franchising expansion, political instability/risk and underdeveloped infrastructure are all challenges (Alon, 2004).

**DEFINITIONS OF SOCIAL FRANCHISING**

The definitions of social franchising mostly refer to it as franchising with social, rather than profit-making goals. Montagu (2002) defines a social franchise as ‘…a franchise system, usually run by a non-governmental organization, which uses the structure of a commercial franchise to achieve social goals’. Smith (2002) also mentions ‘social rather than commercial goals’ when defining social franchising. She sees social franchising as analogous to social marketing, specifically when social franchising is applied in the arena of reproductive health services.

It is important to note the difference between social franchising and social enterprise. While a social enterprise also has social goals, it is not necessarily distributed through the mechanism of franchising. A social enterprise is a business with social objectives and has as its goal reinvestment in the community, as opposed to profit maximization for shareholders (Du Toit, 2003). Traditionally, these businesses are NGOs or charities that exist to promote social services to the communities that they are based in. Figure 1.1 provides a comparison between social enterprise and social franchising.
### Social Enterprise

- Social goals
- Stand alone or heterogeneous outlets
- No standard of replication
- Branding not critical
- Reinvest in community
- Run by NGO
- Operates on commercial principles

### Social Franchising

- Social goals
- Standardised outlets
- Replication through franchising
- Branding critical through franchising success
- Franchisee profitability to be sustainable
- Run by NGO that fulfils franchisor function
- Operates on commercial and franchising principles
The British government is actively promoting social enterprise as a means to ‘bring excluded groups into the labor market’, promote urban regeneration, contribute to socially inclusive wealth creation, to develop ‘active citizenship’ and to encourage new ways of delivering social services (Du Toit, 2003). According to the International Centre for Social Franchising, there are currently about 100 registered social franchises in the UK alone (International Centre for Social Franchising, n.d.).

The interest in social franchising and social enterprise should be seen in the context of the emergence of what is known as the social economy. While communism has failed as an economic model, capitalism has also started to show its flaws. The collapse of corporate giant Enron and other scandals in the corporate world have fuelled public distrust in what was once the pride of the capitalist economy. Corporate greed is increasingly frowned upon, and a new breed of activists, commonly referred to as the anti-globalization movement, seems to oppose anything to do with ‘big business’.

In the social economy, corporate responsibility takes on a new meaning of what is good and desirable for the ‘human good’. Academics and practitioners alike are beginning to realize that business inherently consists of a combination of social and economic functions. Economic activity and transactions are socially
organized and take place through social networks and relations. As much as each individual is part of a social subset, each business entity is part of a social structure through the individuals that make up the organization and its relations with the outside world. Business does not exist in a vacuum but as a part of society. As such, it has responsibilities towards society. Therefore, the view of the economy is changing from self-interest and ‘self-possessive individualism’ towards an approach that encompasses the social environment in which markets operate (Sauer, 1997).

Social franchising and social enterprise should not be confused with philanthropy. It is not practical benevolence or charity but the management of businesses with social goals in a manner that is business-like and efficient. Practitioners in this market refer to social enterprises as ‘profit-making, not profit-taking’ (Du Toit, 2003). This implies that these enterprises make enough profit to be sustainable and to achieve and promote their social goals, but they do not take profit out of the community or distribute it to any other shareholders.

All the definitions of social franchising and social enterprise refer to the achievement of social goals. However, the pursuit of social goals does not negate the importance of running these businesses on commercial principles to ensure their continuity and longevity. With grants and donor funds seemingly decreasing, these businesses need to make enough profit to achieve
sustainability. Thus, social enterprises and social franchises need to operate on commercial principles, but not for the attainment of commercial goals. To summarize, social franchises pursue social goals through the means of franchising as a model for replication and distribution of the products and services of the organization. Social franchises seek sustainability through operating on commercial principles, making enough profit to sustain operations and reinvesting surplus profits into the community they serve.

THE ROLE-PLAYERS IN SOCIAL FRANCHISING

In commercial franchising, there are two main role-players: the franchisee and the franchisor. In social franchising, the roles of the franchisee and franchisor are based on similar principles, with the franchisor providing support and training and the franchisee operating according to standards prescribed by the franchisor. Figure 1.2 provides a comparison between the characteristics of commercial and social franchising.

At a workshop held on social franchising by the German Foundation for World Populations (DSW, 2001), the roles of the franchisee and franchisor were defined as follows: ‘Social franchising is a process by which a developer of a successfully-tested social concept, the franchisor,

- in order to scale up the coverage of the target group
- and the quality of a product (services)
enables others, the franchisees,

- to replicate the model
- using the tested system
- using the brand-name

in return for

- social results
- system development
- impact information.’

Therefore, as in commercial franchising, the franchisor is the developer of the concept with a mandate to expand it, while the franchisee replicates the concept in his/her community along the lines prescribed by the franchisor for the purpose of achieving social goals. It is the responsibility of the franchisor to pilot test the format of the franchise. As in commercial franchising, it is easier to replicate a model that has been tested and proven to work in terms of operational aspects and generation of revenue.

The franchisor is also responsible for training programs, advertising, on-site support and negotiating in favor of the group. The franchisee must maintain prescribed levels of service quality, operate along the guidelines provided and pay franchise fees to the franchisor (Montagu, 2002). The franchisor should be a legal entity, while the franchisee could be a social enterprise with or without legal personality (DSW, 2001).
## Figure 1.2

### Commercial Franchising

- **Role-players:** Franchisee & Franchisor
- **Commercial goals:** Profitability of Franchisor & profits to shareholders
- **Franchisees:** To make profits for individual wealth
- **Consumer demand**
- **For profit sector**
- **Mostly provides consumables and consumer products including food and services**
- **National marketing to promote brand awareness**
- **Market related prices**

### Social Franchising

- **Role-players:** Franchisee, Franchisor & Donors
- **Social goals:** Sustainability of Franchisor & investment in community
- **Franchisees:** To be profitable and sustainable while achieving social goals
- **Consumer demand**
- **Non profit sector**
- **Mostly provides social services including health and other related services**
- **National marketing with bias to social marketing to promote brand awareness and awareness of service**
- **Subsidised prices**
The main difference regarding role-players in social franchising versus commercial franchising is the presence of an additional stakeholder and third party, being the donor. The donor provides funding for the franchise and has their own policies and agenda. This may complicate the relationship between the franchisee and franchisor or even affect it adversely (Smith, 2002). To minimize this effect, social franchises could pursue independence by becoming self-sustainable, although this would depend on market forces and the ability to generate revenue.

In the Deutsche Stiftung Weltbevoelkerung (DSW) workshop (DSW, 2001), additional stakeholders were identified as ‘initiators’ who develop driving principles and assist the franchisor (for example government), and further stakeholders such as local authorities. To avoid complicating the issue, it is suggested that these additional stakeholders are identified as the society in which the franchise operates. While it is possible and even desirable that government bodies support the social franchise, the management and operation of the franchise resides with the franchisor and franchisee, respectively.

However, there have been rare instances of government taking on the role of franchisor in GSFs. A salient example can be found in Vietnam. The Vietnamese government underwent rapid economic growth and political reform since 1986.
Part of the development program in the health sector was the setting of clear targets by government to increase access to reproductive health services, thereby improving maternal and child health. To achieve this, the Vietnamese government recognized the need to improve service provision at community health stations and to improve public perception of these services. This was achieved by implementing a fractional (social) franchise model with the assistance of Marie Stopes International. The social franchise model was named ‘Tinh Chi Em’, which means ‘sisterhood’. Upon implementation of this model, post-implementation evaluations pointed to improved service quality and increased client satisfaction (Ngo, Alden, Hang & Dinh, 2009).

Currently, the author is part of a project team assisting the North West Province Department of Health in South Africa to implement a GSF model to improve standardization of its primary healthcare clinics as part of a National Health Insurance pilot project. While there will be no transfer of ownership, it is the aim of the project to improve service delivery by standardization of clinic operations and empowerment of facility managers to achieve the benefits of a social franchise model. End users are not paying for the service as the National Health Insurance program aims to provide free primary healthcare to all citizens but particularly those who cannot afford private healthcare.
APPLICATIONS OF SOCIAL FRANCHISING

Social franchising is implemented as a distribution model for social services or products and services that pursue social goals. As with commercial franchising, the benefits of a franchise model, being replication of a proven system and brand, are attractive also to the providers of social services. The pursuit of economies of scale, standardization and geographical dispersion further makes franchising an attractive business model for organizations with social goals.

If the objective of social franchising is the achievement of social goals through provision of services, it follows that a social need must exist for social franchising to be applicable. As in commercial market conditions, demand stimulates supply of a service. Figure 1.3 gives an overview of the conditions promoting social franchising as a suitable strategy. In the case of the provision of sexual reproductive health services as discussed by Smith (2002), the following conditions make franchising an appropriate strategy:

- increase in unmet demand for services
- customers who are prepared to pay for the service
- limited access to services
- availability of trained practitioners (potential franchisees)
- lack of supply from private sector
- under-utilized capacity of existing facilities
- difficulties for potential franchisees to raise capital
Smith (2002) defines the preconditions for successful social franchising as sustained or growing consumer demand, a pool of potential franchisees, and a market that can sustain new entrants, given that market conditions will differ considerably across developing countries. These preconditions are also applicable in commercial franchising. While it is important to have a pool of potential franchisees, the existence of a sustainable franchisor is another
condition for success of a social franchise. It may seem blatantly obvious, but a problem that exists in commercial franchising is even more applicable in social franchising, namely the success and continuity of the franchisor. The franchise network cannot exist without the ongoing management and support from the franchisor. Should the franchisor fail, the survival of the network will probably be in jeopardy.

Although Smith (2002) views the ability of the end-customer to pay as a success factor for social franchising, this may not be possible for all social services. The social need is often highest in poor urban or rural areas where income levels are very low. However, the perception of value is important for the success of a program, and charging a price for the service, no matter how low, will enhance the value perception of the end-customer. Therefore, products and services should ideally not be subsidized 100 per cent.

Montagu (2002) postulates that expanding through franchising is the wrong methodology if consumers are not willing to pay for a service. If the objective of the franchise is to become self-sustainable, charging customers for services and generating revenue becomes imperative. However, there are social franchise models that do not involve charges to end-consumers. An example of this is the Child Line project in India. Child Line provides shelter, counseling and assistance to children in emergency situations. The replication is done in cooperation with India’s Ministry for Women and Child Development and the Department of
Telecommunications by providing a toll-free number for children in need. The services are expanded on a social franchise basis to NGOs and other partner organizations. The model is operating in over 172 cities in India. In this instance, the end-users are children, and they do not pay for the service. Funding is secured from government and other funders (International Centre for Social Franchising, n.d.).

**Market sectors**

Social franchising has been applied in a variety of market segments, but it seems that most documented cases are from the health and, in particular, the reproductive health sector (Gopalakrishnan, Prata, Montagu, Mitchell & Walsh, 2000). The 2012 Clinical Social Franchising Compendium states that there are 52 social franchising programs in the health sector globally (Schlein & Montagu, 2012). Proposals have been made to franchise the supply of water services (McMaster & Sawkins, 1993; Roche, Revels & Amies, 2001) and business development services (Lambshead, 2001).

If the preconditions for successful social franchising exist, as discussed in the previous section, it could be applicable to a wide variety of market sectors. Possible applications include social services traditionally provided by governments, including health, water provision and sanitation services; care-
giving services traditionally provided by NGOs or charities such as care for the elderly and care for Aids patients; education and urban regeneration.

Social franchising is applicable in both developing and developed countries. In developing countries, it seems to be geared towards health and water provision services. In developed countries, the need seems to exist for care-giving services, urban re-generation and job creation. An example of a care-giving social franchise is Autonomia, a French organization that provides transport and accompaniment of people with reduced mobility. In the UK, an example of a job creating social enterprise targeted at homeless people is Aspire. Aspire creates full-time employment for homeless people through a fair trade catalogue service. It has employed more than 150 homeless people. Over 60 per cent of these people have moved on to full-time work, and many have gained the ability to rent private accommodation (Du Toit, 2003).

In the South African context, social franchising could have a wide scope of application. Social franchise models could potentially address social problems such as unemployment, lack of water and sanitation services in rural areas, Aids care and education. While donor funding is available, a lack of models for implementation is detracting from the optimal use of these funds. Social franchising offers a business model for the implementation and sustainability of social services. The previously discussed social franchise project spearheaded by the North West Department of Health could provide a much needed case
study of the potential impact of social franchising in the provision of these services.

CULTURAL AND OTHER POTENTIAL MANAGERIAL PROBLEMS

The concept that social enterprises can be run on a franchised basis still requires a paradigm shift from practitioners in traditional non-profit organizations (NPOs). Profit is a ‘swear word’ in some circles, and there is an inherent ‘tension’ and conflict between achievement of social objectives and earning money (Du Toit, 2003). Even the word ‘franchising’ creates some degree of tension due to the association with global corporations such as fast food chains, for example McDonalds. Consultants in this sector are careful to refer to social enterprises to become ‘profit making but not profit taking’. The objective of social enterprise programs is to make these organizations sustainable and more business-like as opposed to making them downright commercialized. However, sustainability often requires profitability, and this paradigm shift still needs to be made.

The most prevalent differences between commercial and social enterprises reside in the differences in organizational culture. Flannery and Deiglmeier (2000) examined these differences in culture, based on Schein’s Levels of Culture. While their study focused on social enterprises per se, many of the issues will be pertinent in the franchising of social services or organizations with
social goals, since the focus of these organizations is also oriented towards social purpose and the immediate community.

Some of the aspects of these organizations that influence their culture will be outlined briefly. Firstly, the physical environments of non-profit and commercial organizations are vastly different. While large corporate companies usually spend a great deal of money on offices and aesthetics in these offices, NPOs are often operated from low-cost, run-down offices in undesirable locations, as this is all they can afford. This may lead to negative perceptions of the organization in the marketplace. Secondly, the values of the two types of organizations could differ considerably with regard to aspects such as management style, relations with customers and approaches to innovation.

Another level of cultural difference may occur at the level of basic underlying assumptions of what is acceptable and desirable in an organization. For instance, business culture encourages and rewards some level of risk taking, while the non-profit arena is set up to minimize risk due to its lack of resources. Time is another factor that has an influence. In business, ‘time is money’ while NPOs deal with complex issues and multiple stakeholders that require a lot of time to be invested. Human relationships differ between the two types of organizations, since the relationship with end-customers in business often occurs at arm’s length, while it is a closer relationship in the provision of social services (Flannery & Deiglmeier, 2000).
The very reason for the existence of the organizations is very different between the two types of organizations. The principal end and reason for the existence of a commercial venture is to make a profit for its shareholders. On the other hand, the principal reason for the existence of social enterprises is the attainment of social goals. Businesses have a high regard for freedom, individualism and the prosperity of the individual, while social enterprises are driven by the strengths of collectivism. Where these divergent goals may meet is in the emergence of the social economy, where the relation of the economy to society is defined as ‘an ecology of interdependent relationships whose cumulative acts aims at some good, such good being not merely self-interest calculation but a human good’ (Sauer, 1997).

The cultural differences are relevant for the implementation of social franchising, as the wide variety of role-players in a social franchise context will invariably involve individuals from both the business and non-profit sector. More importantly, the franchisees will need to understand and accept profit making as a means to achieve sustainability. It is unlikely that entrepreneurs who are involved in commercial enterprise will take up a social franchise opportunity, as these businesses strive towards sustainability and are not desirable commercial business opportunities as such. Therefore, franchisees are likely to emerge from the social sector or come from a disadvantaged background and hence without exposure to the business culture.
It is important to have an understanding of the culture of non-profit versus business organizations before embarking on a social franchise strategy. While these differences are not insurmountable, it could prove to be a challenge and could potentially detract from implementation of these programs if ignored.

IMPLEMENTATION OF SOCIAL FRANCHISING

Format of the franchise

In the health sector, where most of the documented cases of social franchising occur, franchisees are often existing health practitioners that are recruited for the franchise network. In such instances, the format of the franchise is often a fractional franchise. Fractional franchises are franchised outlets where only some of the goods or services provided by the outlets are part of the branded group (Montagu, 2002). An example of this are the Surya Clinics, franchised by the Janani group in India, that provide family planning services on a franchised basis at the offices of existing urban doctors (Gopalakrishnan et al., 2000). This type of franchise is not prevalent in commercial franchising, as it is more difficult to control the brand.

Fractional franchising is attractive to potential franchisees, as it generates additional income streams for their existing businesses (Smith, 2002). The model is also attractive to the social format franchisor, as the franchisees have already
invested the capital in their existing facilities and have proven sustainability of their businesses. As such, fractional franchising represents the most common design for social franchises. The model is suited to healthcare, because it has been proven to remain financially viable while surviving variations in quality and conformity (Montagu, 2002). This could possibly be ascribed to the fact that the franchise is part of an established business from the outset, and the franchisee only stands to benefit from the branding and other services provided by the franchisor.

Figure 1.4

Fractional Franchising

<table>
<thead>
<tr>
<th>Existing Facility</th>
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<tbody>
<tr>
<td>Existing business in same market sector</td>
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<tr>
<td>No control of operations</td>
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<table>
<thead>
<tr>
<th>Fractional Franchise</th>
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<tbody>
<tr>
<td>Part of business operating on franchise principles</td>
</tr>
<tr>
<td>Franchise branding</td>
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<tr>
<td>Franchise products and services</td>
</tr>
<tr>
<td>Additional income stream</td>
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<tr>
<td>Control of operational standards</td>
</tr>
</tbody>
</table>

Caption: Fractional Franchising: An Overview

However, there are also some negative aspects associated with fractional franchising. Firstly, fractional franchises are more difficult to control, since the
franchisor has no say over the established, non-branded part of the business. If that side of the business is run down or provides poor service, it could have a spillover effect on the franchise brand. This makes selection of the right franchisees even more important.

The potential franchisees are mostly doctors or other health practitioners. It has been proven that professionals are difficult to set up a franchise. These highly educated professionals erroneously believe that customers are attracted by their skills and not by any brand (Montagu, 2002). It is more difficult to convince them that being part of a branded group will be beneficial to them.

Control of the brand is another potential pitfall in fractional franchising. The franchisor does not have direct control over the whole business, as would be the case in business-format franchising. Branding guidelines are limited to the section of the business that is franchised. Mechanisms such as penalty systems and critical screening of potential franchisees could alleviate this to some extent.

One could question whether fractional franchising is thus an optimal model. However, it does meet the needs of social franchising in terms of start-up capital being invested already, the availability of trained practitioners and the ability to leverage under-utilized facilities (Smith, 2002). The onus is on the franchisor to ensure that branding and quality standards are monitored on a continuous basis.
See Figure 1.4 for an overview of the benefits of and negative aspects associated with fractional franchising.

**Franchisee and franchisor requirements**

The appropriate selection of franchisees is critical in the implementation of commercial franchising. In social franchising, franchisees are often existing NGOs or practitioners in the field, especially in sectors like the provision of health services (Smith, 2002). For franchisees to be enticed to become part of the system, they must gain enough benefit from their association with the franchisor to persuade them to convert (Montagu, 2002).

While social franchises are often dependent on significant start-up funds from donors, franchisees should commit some funds or franchise fees, as some element of risk will motivate them to succeed. If the donor funds are ‘too generous to the franchisees, at expense of the donor’, it could harm the ultimate sustainability of the franchise (Smith, 2002).

The franchisor must have the ability to manage the network and to implement quality assurance programs. The successful Janani program in India attributes a great deal of its success to monitoring and oversight incentives at every level (Gopalakrishnan et al., 2000).
Marketing of social franchises

Social franchising and social marketing share some common ground. Social marketing also has social goals and adapts a business discipline to the arena of social and community-focused services. Social marketing will most likely be employed to promote the social franchise. The goal of social marketing is most often to promote awareness, and its role is educational by nature (Octon, 1983). Awareness and continued use of a service is essential for the longevity of a social franchise system.

While social franchises are not commercially minded, branding and brand awareness are important in the implementation of a social franchise system. The experience of the Janani system has proven that consumers are more likely to accept and recognize branded social services. The Janani franchisor repaints signs on an annual basis as part of its services to franchisees. Also, franchisees must earn the right to use the Janani signs and are relieved of all signage if they do not comply with the agreed quality standards (Gopalakrishnan et al., 2000; Montagu, 2002). In the case of the Tinh Chi Em social franchise in Vietnam, facilities were invited to participate in the program, and only those who met the standardized brand promise or had the potential to meet it through upgrading of facilities, and so forth, could be rebranded (Ngo et al., 2009).
As with the launch of any new concept, the marketing program will entail creating awareness through brand building on a continuous basis as part of its promotional strategy. It will also need a price strategy that involves services that are partly subsidized and partly paid for by end-users for the success of the program. From a distribution perspective, the supply of raw materials such as medicines must be ensured and managed. The product or service element of the marketing plan centers on satisfying needs of the end-consumer with quality products and services while being as cost effective as possible.

**Sustainability of social franchises**

To achieve the sustainability of a social franchise, it should ideally reduce its reliance on donor funding and become self-sustainable through income streams generated by the franchisees. This is a process that may take some time, and it is the responsibility of the franchisor to work towards financial sustainability (Smith, 2002). However, it is unlikely for most social franchises to survive without some form of donor support. To this end, monitoring and evaluation of quality standards is imperative to enable these organizations to report on their social impact to the donor partners.

An inherent benefit of franchising is the replication of a brand and subsequent brand awareness of consumers. Consumers are not necessarily aware of the fact that an individual operator owns each outlet, but they know what the brand
represents in terms of its product offering, service levels and the consumer engagement experience. Essentially, consumers support brands, because they know what to expect. This factor makes quality assurance essential in both commercial and social franchises.

Montagu (2002) suggests that a combination of training, encouragement and penalties can ensure that the franchisees have an interest in assuring quality. As in commercial franchising, non-compliance with standards could result in disenfranchisement. If the franchisees perceive value and benefit from being associated with the franchisor, they will comply with the set standards to avoid being disenfranchised. In Egypt, a GSF-type model – called the Gold Star Quality Program – was implemented to upgrade reproductive health services at health facilities. Clinics are assessed quarterly on a 101-point quality checklist. Only clinics that achieved a 100 per cent rating on this checklist for two consecutive quarters could qualify as a Gold Star clinic. It could only retain this status if it achieved the same rating in consecutive assessments (Egypt’s Gold Star quality programme wins clients and communities, 1998).

Another aspect that makes quality assurance critical in social franchising is the fact that the services being franchised are often of a sensitive nature, as is the case with reproductive health and health services in general. When the services provided have a direct impact on the physical well being of the end-user, it stands to reason that consumers will be very sensitive to the quality of service
provided. It has been proven by research that consumer choices in reproductive health strongly hinge on the reputation of the provider (Montagu, 2002). If one franchisee does not comply with quality standards, it may harm the reputation of the entire franchise.

Schlein, De la Cruz, Gopalakrishnan & Montagu (2013) suggest a quality assurance framework with five phases for quality assurance in social franchises in the health sector. These consist of:

- Recruitment – Ensuring that the facility meets basic standards or has the ability to upgrade before joining the network
- Training – Initial and follow-up training on standards of the network
- Monitoring of clinical and non-clinical quality – This can be done with regular visits and checklists
- Monitoring of client experience – This can be done with client surveys
- Feedback loop – This may include benchmarking exercises, self-assessments, reward systems and verifying of data

The Janani group implemented a system of incentives to encourage franchisees to comply with quality standards. If a franchisee gets a perfect score on the scoring criteria for site evaluation of the franchise, which includes cleanliness and representation of the brand, their membership fees are reduced on a quarterly basis. Membership fees may be reduced by as much as half of the annual fees
(Gopalakrishnan et al., 2000). It seems that a combination of incentives and penalties could be a successful way of ensuring quality in social franchises.

Social franchises need to operate within the legal requirements of the country they operate in. Franchising is underdeveloped in most developing countries; subsequently it is not regulated in many of these countries. In cases where regulation is applicable, the franchisor must ensure that the franchise complies with legal requirements to ensure its continuity.

The sustainability of social franchises is reliant on the ability to generate self-sustaining revenue, to constantly monitor and ensure that quality standards are being met and to operate as legitimate businesses. Commercial franchises pursue profitability over sustainability but also need to ensure quality and legitimacy for their continued existence. Social franchises can benefit from the example of the commercial sector but face unique challenges in terms of the market they serve and the goals they pursue. Success stories like the Janani group in India prove that it is possible to run a successful social franchise in difficult market conditions.

EVIDENCE FROM PRACTICE – JANANI IN INDIA

Reference has been made to the Janani group in this chapter, as it is currently one of the most documented and researched social franchises. Janani (see
Figure 1.5 for a schematic representation of its structure) is a NPO based in Washington, DC, USA and was established in 1995. It is a franchise focused on reproductive health in the Indian states of Bihar and Madhya Pradesh. The organization franchises rural medical practitioners (RMPs) and private doctors to provide branded contraceptives and clinical family planning services (Gopalakrishnan et al., 2000).

The Janani group attributes its success to economic incentives throughout the group and multiple layers of oversight and quality assurance. Incentives are available to franchisees for compliance with standards, to the sales force for achieving targets, to RMPs for referral of patients to the network of urban doctors, and to training centers to operate as independent businesses. Incentives for uncovering fraud are instituted at various levels, thus ensuring that donor funds are not abused.
Caption: Structure of the Janani Social Franchise

Sixty per cent of the Janani budget is earmarked for communication. Over the past few years, the franchised brands, being the Titli Centers and the Surya Clinics, became established through intensive marketing programs to end-users...
and potential franchisees alike. The franchises are operated on the fractional franchise model. Janani also supplies branded oral contraceptives and condoms to a wide range of shops, including pharmacies. This contributes to the revenue flow of the group. RMPs have to pay membership fees on an annual basis as well as a fee to join the group. End-consumers pay for contraceptives and for services provided by RMPs and doctors who are part of the group. Janani does not prescribe a price structure for services, but the franchisor sets the product prices.

The success of the Janani group is attributed to monitoring and oversight levels that are built into the program at all levels. Each person in the system has a financial stake in the activities of the group, from sales and training personnel to the franchisees themselves. While the Indian government still subsidizes contraceptives, the program has plans to move towards covering its operating expenses through its operations and to increase its sustainability on an ongoing basis (Gopalakrishnan et al., 2000). The continuity of the program, acceptance by the market and the potential to achieve sustainability show that social franchising can succeed using commercial principles of effective resource allocation and management. In 2011, Surya clinics were operating at 105 outlets in four provinces (Schlein & Montagu, 2012).
CONCLUSION

This chapter aimed to provide some insight into the phenomenon of social franchising. Based on the literature reviewed in this chapter, the following factors could be seen as critical in the implementation of a social franchise program:

- Consumer demand is a prerequisite for the initiation of a social franchising program. There must be a demand for the specific product or service in diverse geographical areas to make franchising a suitable expansion mechanism.
- End-users should ideally be willing to pay for the product or service, even if it is a nominal amount. This enhances the value perception of the product or service, which would promote its sustainability in the market.
- A pool of suitable potential franchisees must be available, and they must be motivated by the apparent benefits provided by the franchisor to join the network.
- A suitable franchisor must be available and willing to commit to the program over a long-term period. Continuity of the franchisor is essential to the sustainability of a social franchise.
- The franchisor organization must be sustainable and should aim to reduce its reliance on funding over time.
• The franchisee must have some risk in joining the franchise, even if the franchise fee or investment is relatively low, as this could impact on the franchisee’s motivation to succeed.

• Piloting of the concept prior to franchising is critical. Only tried and tested concepts should be franchised and the franchisor must ensure that franchising is applicable to the local market conditions.

• Marketing is critical, as consumers must be aware of the product or service, and the concept has to earn consumers' trust, especially if the service is sensitive by nature.
Figure 1.6

The Contribution of Social Franchising to Social and Economic Needs

Social need/Lack of distribution of social service

Create social franchise

Deliver services to end customer
Empower entrepreneurs in sustainable businesses
Create infrastructure

Satisfy need for service
Economic growth
Create jobs

Caption: The Contribution of Social Franchising to Addressing Social and Economic Needs

Provided that a concept fulfills the criteria that make social franchising a viable option, this format of franchising can be applied to any sector. Documented cases refer to proposals for the franchising of water provision services in Scotland and small towns in developing areas (McMaster & Sawkins, 1993; Roche et al., 2001) and business development services being tested on a franchised basis in Kenya (Lambshead, 2001). As outlined in this chapter, the
health sector has the most prevalent examples of social franchises, specifically in the reproductive health sector, but any service offering that has potential to be replicated at scale and standardized could potentially develop as a social franchise, provided that the pre-conditions for social franchising – as described in this chapter – are met. Other examples of social franchises in the non-health sector include Sidai, a veterinary care program in Kenya, and Foodbanks UK, a program providing food for people living in poverty (International Centre for Social Franchising, n.d.).

Social franchising has the potential to bridge the divide between the social and commercial sectors, for the good of society and the communities served by these programs. See Figure 1.6 for a schematic representation of how social franchising can address social and economic needs.

**RECOMMENDATIONS**

Social franchising could make a contribution towards maximizing existing efforts and to accelerate the delivery of critical social services in underdeveloped areas, for example in primary healthcare.

The North West Department of Health project, currently in pilot phase in South Africa, will provide a case study of a GSF to deliver much-needed primary healthcare services. This could potentially be extended to other ancillary services
at these clinics, for example waste management and garden maintenance services. Similarly, the mechanism of social franchising could be extended to other areas of government service delivery to achieve standardization and higher quality services, for instance in education. Such programs could also be delivered as public private partnerships (PPPs).

Social franchising may be a useful mechanism for the implementation of services aimed at the achievement of social goals.
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