

Franchising as a Business Model that Promotes the Health of Children with Disabilities: The Case Study of Evora (Portugal)

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Abstract— One of the main objectives of health systems is to reduce inequalities, especially those related to the socioeconomic level of the population. Inequalities are closely related to the distribution of health resources, especially public resources, resulting in strong geographic asymmetries and suggesting that the system is far from achieving the goal of equity of access (Santos, 2012). Since this is a qualitative study, the main purpose of this paper is to summarise what previous authors have studied in the field of franchising in general and in health in particular. An analysis of the literature, which includes 26 papers, the focus group and interview questions, divided into the categories: Perception, Competition, Customers, Business Model, and Price. In answering our research question, "What is the importance of franchising for access to pediatric health care?", we conclude that there is a clear need for access to pediatric health care, which is greatly affected by geographical dispersion; that the end consumer benefits from the franchise system by enjoying the quality of the products and services offered by the franchise brands, regardless of the geographical region in which they live; that they can rely on the location in the main cities of the Alentejo district, as well as standardization and pricing policies based on low costs with differentiation.

Keywords— *Franchising; Healthcare; Disability; Pediatric rehabilitation; Access; Quality of Life; Marketing; Business.*

I. INTRODUCTION

According to Rousseau [1], a Franchise or Franchising can be defined as a system of commercialization of products and/or services and/or technologies, based on a close and continuous collaboration between legally and financially distinct and independent companies, the Franchisor and its Franchisees, through which the Franchisor grants its Franchisees the right and imposes the obligation to run a company in accordance with its concept. Franchising is not a recent model. There are those who consider that the first franchising strategy emerged with the Catholic Church [2], but authors as Justis & Judd [3] refer its origin back to the middle ages.

The franchising emerged in the United States of America (US in further text) around 1852 through the *Singer Sewing*

Machines Co. brand and the distribution of its SINGER sewing machines in this franchising model. A few years later, *General Motors* used the same system to increase the sale of automobiles, creating what would later be called car dealership. In 1899, *Coca-Cola* created the first production franchise, granting a license to entrepreneurs and business groups interested in producing and selling soft drinks, not only in the US but also in other countries. Since then, the concept of franchising has expanded, internationalized, and implemented itself as one of the main forms of entrepreneurship around the world [4].

The concept was originated in the United States of America shortly after the depression of 1929 and reached its peak at the end of the Korean War, as a result of investments made by the military, with the prizes received for demobilization [1]. With respect to Portugal, in August 1987, the Portuguese Franchise Association was founded.

The franchising is a specific form of business management that has been widely used internationally as a market strategy and as an effective mechanism for the expansion of SMEs, considering the opportunities that the system offers to entrepreneurs with little business and administrative technology [...] [5]. "Franchises are also an alternative means by which entrepreneurs can expand their business [...]" [6], being thus a particular form of entrepreneurship, because it depends on two entrepreneurs: the franchisor and the franchisee [7]. To Sebrae [8], an entrepreneur is someone who starts something new with the ability to foresee what others are unable to. He/she is the one who proactively innovates and assume risks. Being an entrepreneur means, above all, act as a coordinator who produces new ideas through creativity and imagination, while managing resources [8]. For Dolabela et al. [9], "Entrepreneurship is a crucial factor for the development of an economy, be it local or national. Targeting the demand for the brand in which one intends to operate is the first step to succeed. In so, consumers will recognize the venture as a solution to fill the gap, being easier to gain the trust and ensure the financial return" [9]. Timmons [10], posits that "entrepreneurship is a silent revolution, which will be for the 21st century, more than the industrial revolution was for the 20th century".

Franchising can also be analyzed from the perspective of micro and small companies. At first glance, a franchise does not seem to be included in the concept of micro and small business, as each franchised unit resembles its entire network.

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However, when the units are analyzed independently, they constitute true small and medium business [11].

Machado & Espinha [11] suggest that “the development of franchising is undoubtedly the most spectacular phenomenon in the evolution of the independent trade in the last 30 years”, although its failure rate is above the expected, in particular in terms of financial result.

II. THE CONTEXT

The franchising model is extremely flexible and adaptable and has therefore been widely adopted in the development of many brands in various sectors of activity, both in terms of products and services, while contributing to the transformation, modernization and professionalization of traditional businesses and services and ensuing growth in number of brands [12]. Also, the same source indicates that, between 2012 and 2014, in 17 member states of the European Union this growth was 8.1%, while in 2014 there were more than 10.000 brands operating in the system, noteworthy with regard to the period between 2019 and 2020, in which the annual growth of brands in the five main markets (Germany, England, France, Holland and Italy) was 9.5%. On the other hand, In the US, the birthplace of franchising and with very strict legislation, the sector earned US\$868 billion in 2016 and is responsible for 9 million direct jobs and adds \$541 billion to the US GDP. The strength of franchising is much greater, with the number of direct and indirect employees increasing to 16.1 million, turnover increasing to US\$2.1 trillion and contribution to the US GDP jumping to US\$1.2 trillion, i.e. 6.6% of 2016 GDP of US\$29.2 trillion [13].

In the case of Brazil, the franchise sector ended 2019 on a positive note. The overwhelming numbers released by the Brazilian Franchising Association (ABF) point to a market growth of 6.8% and injected R\$ 186.75 billion into the national economy in 2019. The number of franchise companies increased by 1.4%, having been created 2,918 new brands last year alone, mostly in the catering, cosmetics, and hotel sectors, corresponding to the creation of 1,254,234 new jobs by November 2020 [14]. Even during all the distrust in the market, franchising continues to grow in Brazil, assuming growth values of around 7% and reaching R\$ 174.8 billion [14].

In Portugal it has had a frankly favorable evolution, showing continuous growth, with growth rates above double digits, 11.7%, 21.9% and 16.0%. Currently, the weight of franchising in Portuguese GDP remains slightly above 3%, and services continue to lead the franchise market, with 53.7%, against 35.6% and 10.7% for commerce and catering, respectively [2].

III. BACKGROUND

One of the main goals of health systems is the reduction of inequalities, those associated with the socioeconomic level of populations. Inequality is strongly related to the distribution of health resources, in particular public resources, resulting in strong geographic asymmetries and suggesting that the system is far from achieving the objective of equity in access [15].

The Constitution of the Portuguese Republic enshrines in Article 64 the right to health as a universal good and tending to be free. On the other hand, Articles 12. (Principle of Universality), 13th (Principle of Equality or Non-Discrimination) and 18th (Legal Force), enshrine the fundamental rights of each and every citizen [16], although not always geographically accessible to everyone.

Data from Instituto Nacional de Estatística [17] underscore 636,059 people in the Portuguese population with a disability, while assuming an above-average growth from 2008 onwards. The issue is deemed as an outcome both from the economic crisis and its direct consequences on health, which worsened with the infection caused by Corona Virus.

The children with disabilities undergo rehabilitation treatments to overcome or alleviate their deficits. The process is performed by a team made up of several professionals, including physiotherapists, occupational therapists, speech therapists, psychologists, among others [18]. Lorenzini [19] emphasize that children with disabilities react to less stimuli from the environment and their responses to these stimuli are delayed or absent. Therefore, they need continuous work so that they can take advantage of their full experiences that do not always exist by home.

Following the principles established in the United Nations Convention on the Rights of the Child and within the scope of the Action Plan for the Integration of Persons with Disabilities or Impairments 2006-2009, it was created, under Decree-Law n° 281/2009, published in the Diário da República on 6 October, the National System of Early Childhood Intervention (SNIPI) [20]. The National System of Early Childhood Intervention (SNIPI) is free and aims to guarantee Early Childhood Intervention with a set of integrated support measures centered on the child and the family, including actions of a preventive and rehabilitative nature, within the scope of education, health, and social action [20]. For the Government of Portugal [20], Early Childhood Intervention is understood as the development of a set of integrated support measures aimed at the family and the child, between 0 and 6 years old, with changes in body functions or structures that limit participation in typical activities in a given age and social background, or at severe risk of developmental delay.

However, and despite the expected national coverage, the scarcity of resources and the lack of investment in children aged over 6 years result in a clear inability to respond to existing needs, hindering the creation of a supportive system and, ultimately, paving the way for the private pediatric rehabilitation market.

According to some authors [15], availability, type of services and resources, along with geographic location are some supply features that influence the pattern of consumption of health services. To Avraham [21], the image of a city tends to be influenced by factors such as: the number of inhabitants; your status; your location; its history, among others, being therefore directly linked with the attention of entrepreneurs as they decide to implement their brand. Moreover, since territorial marketing is used in the design, management, and promotion of places, with the aim of increasing their attractiveness to internal and external audiences, the strategies used by distinct sites to position and communicate their

attributes can be a valuable tool at the service of brands and territorial strategy [22].

IV. METHODS

We didn't identify in the literature review any publications on these thematic, so a qualitative methodology was opportune and thus chosen. This methodology is based on the collection and research of empirical materials [23] and resorts to a more descriptive and interpretative understanding of the object of study, instead of focusing on evaluating only the phenomenon under analysis [23]. Within the qualitative methodology, it was decided to carry out a semi-structured interview and a focus group, as a way of collecting and measuring consumers' reactions to a company's strategy [24].

We defined a systematic methodological model, sequenced in seven (7) major steps: 1) Definition of the relevance of the investigation (title and keywords); 2) Definition of a Research Question and objectives; 3) Search in Google Scholar, Scopus, RCAAP, SciELO, PubMed and iCITE for the most relevant published papers having franchising, healthcare and disability; 4) Definition of the qualitative methodology and its tools; 5) Extraction of the all the data in these tools, merged in a single Excel spreadsheet; 6) Selection of the most relevant themes and concepts on franchising, healthcare and disability; 7) Data analysis.

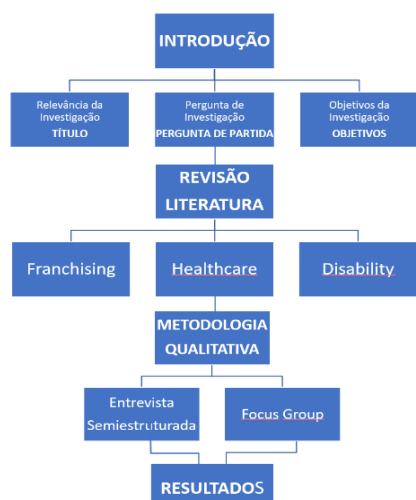


Fig. 1. Source: own elaboration

4.1. Focus Group

This exploratory, descriptive, and qualitative study arises from the research question “What is the importance of franchises in access to pediatric healthcare”, while intend to answer to the research goal “Identify the perception of rehabilitation health professionals regarding health franchising”.

The methodological choice fell on the Focus-Group (FG), as it is a method that enables the collection of data to a group, with a similar experience, allowing interaction in group discussion from the researcher's active role in stimulating the group's discussion to effects of data collection [24, 25]. The script consists of 17 questions divided into five (5) categories: Perception; Competition; Customers; Business Model and

Price. The study protocol complied with the five (5) stages recommended by Silva, Veloso and Keating, (2014): planning, preparation, moderation, data analysis and dissemination of results (Fig.2.)

Planning	Preparation	Moderation	Data Analysis	Divulgação dos Resultados
<ul style="list-style-type: none"> Research objectives Script Structure Characterization of the participants FG dimension How many groups 	<ul style="list-style-type: none"> Recruitment of participants Logistical conditions for carrying out the FG: choice of location; recording equipment; lights; test material, if any) 	<ul style="list-style-type: none"> Moderator's Choice – Your Experience Conducting and Maintaining the Discussion Moderation assistant 	<ul style="list-style-type: none"> Recorded Transcribed – slower process Privileged information of moderator/s Encoding/Indexing Storage/Retrieval Interpretation 	<ul style="list-style-type: none"> Written report Presentation of the results to the participants

Fig. 2. Adapted by Silva, Veloso and Keating, (2014):

Occupational therapists, speech therapists, physiotherapists, psychologists, and nutritionists participated, in an active state of work activity, with a minimum education level of a degree and a maximum of a doctorate, and aged between 24 and 38 years, in a total of 7 individuals, all of whom are female. Following Krueger and Casey's recommendations [26] the sample was intentional and homogeneous to allow focusing the discussion on the theme, since the participants have in common a characteristic relevant to the theme under discussion – having participated in a project to translate knowledge into clinic. The Focus Group Guide accompanied the interviewer from the introduction to the final acknowledgments, serving as an alignment for the approach to the themes under study, for approximately 1h 55 minutes.

V.RESULTS

Overall, only one participant knew exactly what a franchise was, while the others were puzzled. However, after the description, all of them were able to identify the advantages and disadvantages of this business model. In the competition category, they indicate that there is no perfect context, as it depends on the condition of the client, the family context and even the conditions of the house. However, if necessary, they also refer to a colleague they trust or to a clinic with the same conditions. However, all of them indicated that the field of pediatric rehabilitation is a very attractive field from a business point of view. In the customer dimension, they agreed that the customer looks for a free service first, then the cheapest, and only then the best and most expensive, although if the service is aimed at children, parents are more willing to pay more for a more differentiated service. In the business model category, 5 of the participants emphasized the fact that the brand has a significant weight in the choice of the rehabilitation clinic by the client, but also in the choice of his professional future. Going deeper into the category, 5 indicate that they could consider acquiring the concession of a strong

brand already recognized in the market, since it already has expertise and "takes care of the promotion of the brand", since the therapists have no training in management let alone marketing. They affirmed that marketing is an area that scares them from the point of view of skills, "we do not understand anything about marketing and how a brand is made, so if there is someone who always takes care of it, all the better". Finally, and in the category price, the discussion was confusing, being sure that "the cheaper the better", but they assume that fair and with less risk, it will be to take a percentage of the company and they disagree on the entry value of the franchise, with the majority of one of the elements that influenced, who, being professionally more experienced, preferred to pay €20,000 up front and 10% of the turnover. At the end of the discussion, the interviewer suggested a vote, with the result: 2 participants voted for €20,000 in entry and 5% of the sales volume; 1 participant mentioned that it depends on the capital each one must invest and the remaining 4 voted for €15,000 in entry and 10% of turnover (fig. 3.)



Fig. 3. Source: own elaboration

4.2. Semi-structured interview

Semi-structured interviews are a qualitative data collection technique that aims at investigating different perspectives and points of view about an issue, through the perceptions of the interviewees' symbols, meanings, beliefs, attitudes, values, and motivations [25].

The interview aimed at addressing the research goal "The importance of pediatric health franchising in the municipality of Évora", for which 4 personalities of the municipality and 1 consumer were inquired, 3 male and 2 female, aged between 34 and 62 years. The Interview Guide is made up of 19 questions, spread over 5 dimensions: Perception; Competition; Business model; Customer and Brand, in line with the Focus Group content, and follows the structure of Fig. 4.



Fig. 4. Source: own elaboration

3.3. Summary

As a result of the interviews carried out and in the Perception category, it can be concluded that all respondents knew, in general, what a franchise was, managing to list some of the best known franchised brands in Portugal, while categorically stating that there were no franchises in the health area, even though one of the interviewees had identified a brand that sells hearing aids, yet not knowing the name of its brand. In the Competition category, the interviewees collectively assumed that responses in the pediatric rehabilitation in the municipality of Évora was insufficient and that it was the families who identify the centers of excellence existing outside that area, and those who can pay, travel to Lisbon, Setubal and even Spain.

In the third category, Business Model, respondents attributed greater importance to a well-known branded clinic and posited that the possession of technical and management skills are fundamental assumptions for any business. When asked whether they preferred the existence of a franchise in pediatric rehabilitation in Évora, or several instead, geographically based in the Alentejo cities of Beja and Portalegre, the answer was clear: most point to a need for generalized access, they would rather see the franchise in the main district capitals of Alentejo. Questioned about the price strategy based on low price with differentiation, the answers were unanimous, with the majority highlighting the low-average income per-capita of Alentejo.

In the Client category and once questioned about what the greatest needs of the pediatric population are, in terms of rehabilitation, the answers vary between "There is a lack of everything around here" and "All, because most kids have multiple disabilities".

One respondent, because of his training, was able to answer, "Occupational Therapy, Speech Therapy and Physiotherapy; areas of neurodevelopment".

Regarding the last category of the interview, the Brand, and having sort out the name of a reputed brand in pediatric health, most answered that they knew and recognizing its innovation and excellent health management, which is so welcomed.

Still questioned about whether they would consider Évora to have the socioeconomic conditions to host a franchise project in pediatric health, aimed at children with disabilities, the interviewees were consensual in agreeing, adding that both people from Évora and public institutions would benefit from the implementation of a franchise on this specialty. From this interview emerged key words of great relevance to the article

such as: Healthcare; Disability; Access; Quality of Life and Business, having consequently answered the secondary goal of the article “The importance of pediatric health franchising in the municipality of Évora”.



Fig. 5. Source: own elaboration

VI. CONCLUSION

The business model of Franchising has little or no expression in health care in general and pediatrics in particular. The conclusions point to the fact that the health care professionals know and recognize the advantages and disadvantages of franchise and claim that the area of pediatric rehabilitation is a highly profitable and unexplored business, since technicians in the area do not have, in their training, any management and/or marketing skills, being unable to undertake without expertise that guarantees the success of the business.

To summarize, we can conclude that, first there is a clear need for access to rehabilitation, which unveiled to be highly hindered by geographic dispersion; second, the final consumer would benefit from franchise system, while enjoying the quality of its products and services, irrespective the geographic area in which he resides. In addition, one would be able to count on its location in the capitals of the Alentejo district, as well as the standardization, including price policy, based on both low cost and differentiation. Third, we can also infer that; the brand has a significant weight when consumers come across the dilemma of choosing a clinic to perform their treatments.

Finally, building upon the ‘objetive 2’, the conclusions posit that neither exist health franchises in Portugal, nor satisfactory responses in specialized pediatric rehabilitation in Alentejo, particularly in Évora. In this way, a franchising solution covering the entire geographic area would be welcomed, whereas the present article ends up fulfilling the above-mentioned research goal of “What is the importance of franchises in access to pediatric healthcare”.

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