Chinese Franchise Brands Going Globalization

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Abstract: There is an increasing interest on Chinese Brands Going Globalization, as is indicated in the recent literature. One may find that the publication focuses mainly on how leading Chinese brands in manufacturing -- such as Lenovo, Haier, and Bird, do to survive and thrive in the global competition. To be useful, however, for Chinese franchises going abroad, those recent how-to-do suggestions need to be adapted to the core of franchising, that is, building the franchisor/franchisee relationship. This paper addresses exactly this issue with five topics: (1) presenting an effective way of building the good franchisor/franchisee relationship; (2) describing how the franchisor/franchisee relationship can be extended to cultivate the brands/consumers relationship; (3) examining two successful global franchise brands: one from the developing world -- *Kodak* in China, and another from the developed world -- *Subway* in USA; and indicating that building the franchise's global social relationship is the right thing to do when it goes global; (4) showing the vital role information technology plays in building the franchisor/franchisee, brands/consumers, and global social relationship; and (5) discussing practical implications for Chinese franchises interested in going abroad.

Chinese Franchise Brands Going Globalization

1. Introduction

There is an increasing interest on Chinese brands going globalization as is evidenced in the recent literature (Gao, etc, 2003; Interbrand, 2005; Swystun, 2006). With 2,100 franchise systems in China, “the most franchised country in the world,” (Wang, etc, 2006), this recent publication may attract a big audience of Chinese franchise brands interested in going abroad. One may find (Interbrand, 2005) that (1) it focuses mainly on how leading Chinese brands in manufacturing -- such as Lenovo, Haier, and Bird, do to survive and thrive in the global competition; (2) Chinese brands are competing mainly on tangible attributes such as cost and quality and do not perform well on many of the important attributes associated with global leading brands; and (3) in order to be competitive, Chinese brands need to incorporate intangible attributes such as personality and emotion into their products and services.

However, to be useful for Chinese franchise brands going globalization, those recent how-to-do suggestions need to be adapted to the core of franchising, that is, building the franchisor/franchisee relationship. This paper addresses exactly this issue with five topics. First, we present an effective way of building the good relationship between the franchisor and franchisee. Second, we describe how the franchisor/franchisee relationship can be extended to cultivate the relationship between the brands and consumers. Third, we examine two successful global franchise brands: one from the developing world -- *Kodak* in China, and another from the developed world -- *Subway* in USA. We find that building the franchise’s global social relationship is the right thing to do when it goes global. Fourth, we show the vital role information technology plays in building the franchisor/franchisee, brands/consumers, and global social relationship. Finally, we discuss practical implications for Chinese franchises interested in going globalization.

2. Franchising: Building the Franchisor/Franchisee Relationship

Franchising Defined

Franchising is “a business opportunity by which the owner (producer or distributor) of a service or a trademarked product grants exclusive rights to an individual for the local distribution and/or sale of the service or product, and in return receives a payment or royalty and conformance to quality standards. The individual or business granting the business rights is called the *franchisor*, and the individual or business granted the right to operate in accordance with the chosen method to produce or sell the product or service is called the *franchisee*.” (Justis and Judd, 2002) Building a good relationship between the franchisor and the franchisee is vital for the success of a franchise (Justis and Judd, 2002). The foundation of building the good franchisor/franchisee relationship is a communal learning cycle of how to influence others (Justis and Judd, 2002):

(1) Knowledge – proven abilities to solve franchise business problems;
(2) Attitude – constructive ways of presenting and sharing the working knowledge;

(3) Motivation – providing incentives for learning or teaching the working knowledge;
(4) Individual Behavior – understanding and leveraging the strengths of the participants to learn and enhance their working knowledge;
(5) Group Behavior – finding the best collaborative way to collect, dissimilate, and manage their hard-earned working knowledge.

Relationship as Value Exchanges in Value Networks

Building the good franchisor/franchisee relationship grounded in communal learning of influencing others can be depicted in the continuous interactions of value exchanges shown in Figure 1. On the left of Figure 1, the franchisor learns and grows the *content* of the franchise incrementally through five stages (Justis and Judd, 2002): (1) Beginner – learning how to do it; (2) Novice – practicing doing it; (3) Advanced – doing it; (4) Master – teaching others to do it; and (5) Professional – becoming the best that you can be. A counter-clockwise round arrow surrounding the franchisor is used to represent the increased intensity of learning. At a higher stage of the development, most of the problems in the previous stages have been dealt with. However more complicated and challenging questions will arise as the franchise continues the expansion, especially into the global market. This is shown by a dashed circle surrounding the franchisor's leaning process.

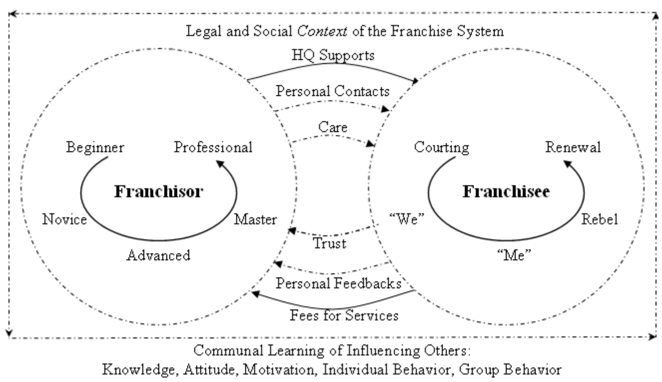

Figure 1. Value Exchanges in Building the Franchisor/Franchisee Relationship

On the right of Figure 2, there are also five phases of the franchisee learning life cycle (Schreuder, Krige, and Parker, 2000) of the franchise *content*: (1) Courting – both the franchisee and the franchisor are excited with the relationship; (2) "We" – the relationship starts to deteriorate, but the franchisee still values the relationship; (3) "Me" – the franchisee starts to question payments related issues with the attitude that the success so far is purely of his/her own work; (4) Rebel – the franchisee starts to challenge the restrictions being placed upon; and (5) Renewal – the franchisee realizes the "win-win" solution is to continue teaming up with the franchisor to grow the system. Similar to the franchisor, a counter-clockwise round arrow surrounding the franchisee is used to depict the increasing intensity of franchisee learning cycle, which is surrounded by a dashed circle signifying the unending challenges the franchisee may face.

In the middle of Figure 1 are the exchanges between the franchisor and the franchisee which create economic value. The solid arrows represent the tangible transactions (such as goods, services, and revenues) and dashed arrows represent the intangible transactions (such as knowledge and benefits). Thus in Figure 1, there are two tangible transactions and four intangible transactions. Deliverables of transactions can be tangible or physical (such as HQ Supports and Royalty Fees for Services in Figure 1); and intangible or non-physical (such as Personal Contacts, Personal Feedbacks, Care, and Trust in Figure 1). Figure 1 also shows that the content of the franchisor/franchisee learning and value exchanges is embedded in the legal and social *context*, depicted as the big dashed rectangle in the surrounding. That is, the relationship building activities are heavily constrained by the legal and social environment in which the organization operates. The context dynamics include governmental regulations, competition, social trends, economic climate, advocacy groups, globalization, and uncertainties. The more the franchise expands, the more challenges the franchise will receive from the context dynamics. This is depicted by the arrows surrounding the big dashed rectangle.

The mapping of relationship building between the franchisor and the franchisee depicted in Figure 1 represents a very high level view of value exchanges. They can be further exploded through detailed value networks (Allee, 2003), revealing the social networks of relationships among the franchise participants. Most importantly, they help identify the emotive exchanges of intangibles (such as trust and loyalty) which are typically hidden, yet vital to the success of the franchise. Figure 2 shows an illustrative value network of a real-life sushi restaurant franchise. There are six types of participants: Franchisees, Restaurant Units, Franchisor, Customers, Suppliers, and Field Representatives. There are many relationship value exchanges among the franchise participants. For example, the Field Representatives provide the tangible value of Onsite Training and Onsite Support to the employees of the Restaurant Units. In return, the Field Representative Teams receive the intangible value of the Restaurant Units Knowledge. An example of the intangible value is the sense of bonding, trust, and loyalty of the Restaurant Units staff to the Field Representatives and the Franchisor.

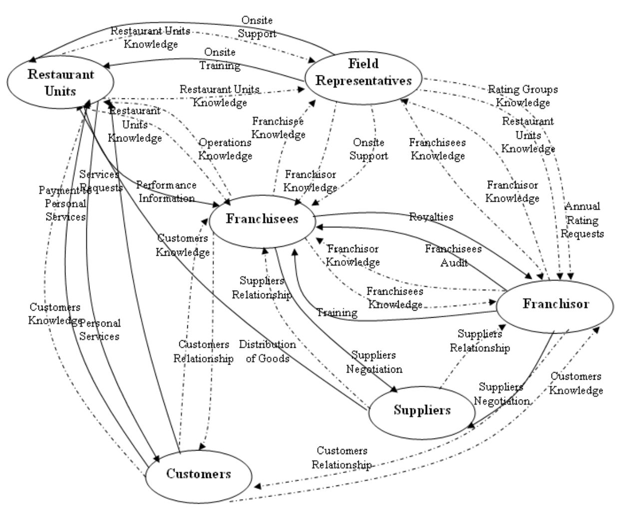

Figure 2. A Restaurant Franchise Value Network

An effective way to manage the complex context dynamics in franchising is to form Field Representatives to (1) engage in frequent value exchanges with the vital players in legal and social context of the franchise; (2) conduct exchanges analysis of the updated relationships with the vital players; and (3) make constructive suggestions to the franchisor to cultivate the value networks of *carriers* out of the vital players. Carriers are believers of the products or services who have positive influences to others. Although individually what each carrier does is only an epsilon; collectively, however, what they do have the contagious effect of multiplying the epsilons into the world phenomenon. What the franchise needs is to have a few carriers who can "tip" (Gladwell, 2002).

The Vital Role of Information Technology

In his best-seller *Business @ The Speed of Thought*, Gates (1999) wrote "Information Technology and business are becoming inextricably interwoven. I don't think anybody can talk meaningfully about one without talking about the other." Thus, information technology (IT) meaningful to a franchise shall help the company to build the good franchisor/franchisee relationship. Specifically, it shall help to perfect the three above-mentioned vital elements of the relationship building: content, context, and carriers. Figure 3 shows an IT framework useful for building the good franchisor/franchisee relationship. On the left of the figure are four layers of Gates' Digital Nervous System (Gates, 1999): empowerment and collaboration, business intelligence, knowledge management, and timely high business value deployment. The four-layer architecture enables IT to sense the changes in the business environment and empower the franchise decision makers to respond quickly. On the right of the figure we see that (1) the first two layers utilize technology networks to manage the franchise content with the purpose of identifying the Good, the Bad, and the Ugly of the operational practices (Chen et al ,2000, 2001, 2002, 2003); (2) knowledge management technology empowers the franchise participants to transform the Bad into the Good to manage social networks dynamics in their situated context (Chen et al, 2004, 2005); and (3) value networks technology enable the franchise to team up the Good to cultivate and expand the franchise value networks to breed the best value carriers (Chen et al, 2006).

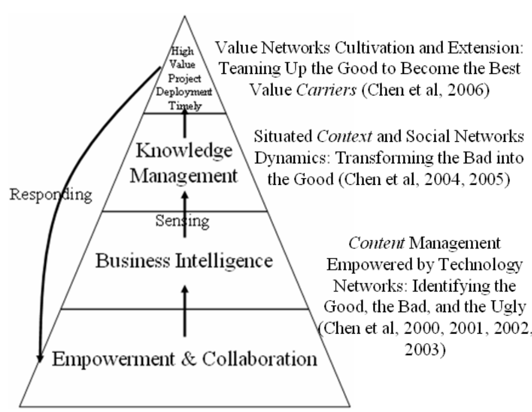

Figure 3. An IT Framework for Building the Franchisor/Franchisee Relationship

3. Branding: Building the Brands/Consumers Relationship

What's a Brand?

According to Webster's dictionary, brand is "a class of goods identified by name as the product of a single firm or manufacturer". Thus, brand is about name recognition and branding is the activities to gain the name recognition. The following quotation from the Fortune magazine in 1997 (p.18, Clifton and Simmons, 2003) speaks volume the importance of brand and its equity, "In the twenty-first century, branding ultimately will be the only unique differentiator between companies. Brand equity is now a key asset."

Brands and Branding: Relationship Building with Consumers

Howard Schultz, CEO of Starbucks, described the Starbucks brand experience, "If we greet customers, exchange a few extra words with them and then custom-make a drink exactly to their taste, they will be eager to come back." (p. xxxi, Gobe, 2001) Building relationship with consumers has strategic significance in brand management (Malthouse and Calder, 2005). The very first group of consumers for relationship building, of course, is the employees. When employees are motivated and excited by the brand through "Hear It," Believe It," and "Live It." (Davis, 2005), they will enthusiastically recommend and communicate it to people they encounter, including, customers, family members, relatives, suppliers and others (Clifton and Simmons, 2003). The highest realm of relationship building is to create social leadership through brands. Three important ways are recommended (Clifton and Simmons, 2003): (1) creating positive social change by harnessing the cultural power of the brands; (2) producing social gain by harnessing innovation; and (3) proving widely the benefits of globalization by applying brand power to solve urgent global problems.

To succeed in branding through relationship building, companies need to have strategies. This is especially vital in social leadership branding. An effective approach is to have a brand incubator (Gobe, 2001), developing sound models of relationship branding portfolio. Key success factors for developing brand portfolio strategy (Calkins, 2005) include: (1) building core brands and extending them through line extensions and brand extensions; (2) responding to major opportunities by adding new brands to the portfolio; (3) identifying weak and redundant brands and proactively prune them; (4) keeping brand structures simple, e.g., each brand structure can be explained in one minute; and (5) involving senior management in the decision making process.

The Vital Role of Information Technology

The Internet plays a vital role in expressing the emotional component of a brand (Gobe, 2001). Some study even suggests that companies need to concentrate at least 80% of its resources on the touchpoints it has with customers and suppliers for relationship building (Baker, 2001). Influencing touch points for relationship branding, according to the Brand Touch Point Wheel (Davis, 2005), consist of (1) pre-purchase stage of relationship development; (2) purchase stage of point of investment; (3) usage stage of point of consumption; and (4) post-purchase stage of ongoing relationship management.

An e-business strategy in franchising, based on the four stages of customer service life cycle, shows ways to help franchise companies to conduct relationship branding (Chen, Chong, and Justis, 2002).

What's In It for Franchising?

Based on the discussions above, one can see that branding in franchising is just extending the franchisor/franchisee relationship building to the consumer relationship building. Figure 4 shows a framework of how this relationship branding in franchising can be done. In the center (the big circle) is the franchise content at the franchisor headquarters. The content is replicated by franchisees (typified by the eight smaller circles connected to the big circle) to grow the franchise. Sometimes a master franchisee is granted to open multi-units in a new territory or a successful franchisee is rewarded to more units in his/her market area. In either case, the content of the franchisee business unit is replicated (typified by the three smallest circles connected to the small south of the largest circle). The franchisor/franchisee relationship behind this successful expansion can be served as the franchise brand incubator. The good franchisor/franchisee relationship can then be extended incrementally to consumers in the franchise brand universe (the largest outer circle), including customers, stakeholders, investors, government, local communities, advocacy groups, employees, suppliers, and global partners. The major challenge for the franchise is to convert the brand idea into a series of value exchanges with the related consumer groups that in turn create the brand experience (Malthouse and Calder, 2005).

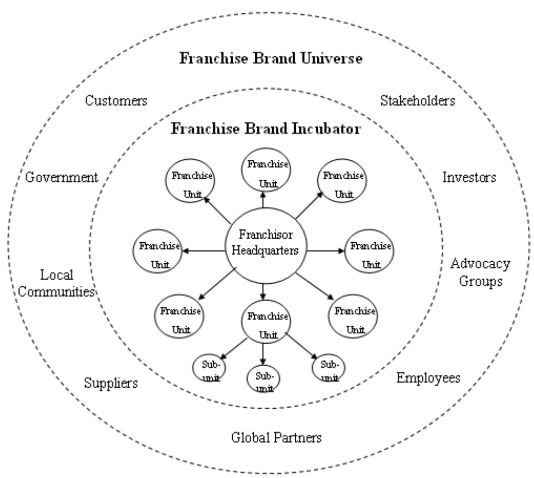

Figure 4. Franchise Relationship Branding through Franchise Brand Incubator

4. International Franchising: Building the Franchise's Global Social Relationship

Issues and Opportunities in Globalization

The third industrial revolution, combining globalization with IT (Thurow, 2003), produces (1) increased gap between the haves and the have-nots; this may be evidenced by the growing number of books with troubling titles such as "World on Fire" (Chua, 2004) and "Globalization and Poverty" (Harrison, 2006); and (2) the growing concern of the drying-up of the natural resources such as oil (Brown, 2003) and the global warming (Hocking, 2002). In addressing the problems, Herbert Simon, the 1978 Nobel Laureate in Economics, argues (Simon, 2002a) for designing a sustainable and acceptable world by finding a way for (1) managing environmental health so that we can live at peace with all of nature; (2) taking charge of social citizenship so that we can have a society sharing broadly and fairly; and (3) mitigating, if possible eliminating, the divisions of 'We' from 'They'. Here, "We" refer to the conventional view of intellectual capital (Sveiby 1997), i.e., human capital, external capital, and internal capital; and "They" refer to environmental health and social citizenship (Simon 2002b).

The Simonian view of globalization and its responsibilities is consistent with the recent literature of global brand management (Clifton and Simmons, 2003; Gobe, 2002; Holt, Quelch, and Taylor, 2004; Useem, 2001). In the following we examine two global brands which successfully use franchising to solve the problems of "They" and reap tremendous benefits for "We". The first one is from the developing world – Kodak in China, and the second one from the developed world – Subway in USA.

Developing World: Kodak's Paying Attention to "They" in China

In their recent book on opportunities in the developing world, Mahajan and Banga (2005) argued, "While many companies have focused on developed markets, 86 percent of the world population is in developing countries with a GNP per capita of less than $10,000. This percentage will continue to increase in the coming decades." They enlisted nine major characteristics of emerging markets, shown on the left column of Table 1. On the right column, we see how Kodak leveraged the opportunities to succeed in China. Kodak's strategy takes advantage of the Chinese cultural preference of "being your own boss" ("would rather be the little beak of a chicken than the large rear end of a cow"). For those mom-and-pop corner shops and promising entrepreneurs who are willing to become Kodak Express Stores (KEX) owners, Kodak provides $2000 or more "marketing assistance" (Economist, 1998). While this type of franchising gives a myriad of willing grass-root sales force for Kodak, more importantly KEX convert unemployed citizens to become self-employed – essentially help resolving China's burning social problem of unemployment. Based on this latter benefit, government banks such as the Bank of China have been willing to develop joint franchise loan programs with Kodak (China Online, 2002). With these loans, Chinese entrepreneurs, including many unemployed workers, have been able to start their own KEX franchises. This franchise loan program has also been helpful in curbing the fear of "Westernization" and competition from developed countries, the two major concerns in China after the accession of World Trade Organization.

Table 1: Kodak's Franchising Strategy in China

Characteristics of Emerging Markets	Opportunities They Create for Kodak in China
Distribution channels are weak	Partnering with the endangering mom-and-pop stores by turning them into KEXs
There is limited income and space	KEX is the solution
Markets and culture are demanding	Empowering the owners of the mom-and-pop stores to be the front-end contact persons
Infrastructure is weak	Partnering the State Own Enterprises to build the infrastructure
Populations are youthful and growing	Partnering with Bank of China to give unemployed young people a chance to make loans to run the KEXs
Technology is underdeveloped	Creating "the Poor Man's Internet" through KEXs
Markets are fragmented	Empowering the local owners of KEX to be the market agents
Markets are changing rapidly	Evolving with the markets by empowering the local KEX partners
There are high rates of emigration to the developed world	Replicating the successes such as Wedding Club in the developing world and adapting them in the developed world.

KEX, with their extensive *localized* presence, provide crucial face-to-face service to Chinese customer. Kodak takes it one step further and begins to maximize its *globalized* presence via Internet to build good relationship with its customers and partners. Here are two examples of Kodak's innovative Internet deployment. First, "A poor man's Internet" (Webb and McNatt, 2000): for just $1.50 a customer can take a digital camera shot from one KEX kiosk and send the picture to any KEX shop in China for friends to pick up. Considering the economic disparity and even wider digital divide in China, this is a very economical solution. Second, Wedding Club (Kodakery, 2002): Kodak provides a system solution for wedding studios and professional labs via Internet. Since its introduction in 2001, more than 140 wedding studios have installed the Wedding Club software globally. A cartoon shown in China Daily on January 29, 2000 spoke volumes on the success of Kodak in China: A smiling fish man, standing on the Pacific Ocean, tossed a big KEX net on the China market map and uttered "The Early Bird Gets that Worm."

Developed World: Subway's Paying Attention to "They" in USA

Subway's effective management of its brand icon Jared Fogle to deal with the increasing problem of obesity in USA is another success story of paying attention to "They" and reaping significant benefits for "We". Using the media networks showing that Jared had lost 245 pounds by just eating Subway's subs, Subway's sales went up from $5.17 billion in 2001 to $7.75 billion in 2004 and the number of Subway units in US increased 43% up to more 19,100 between 2001 and August 2005 (Boyle, 2005).

Continuing leveraging its “good for you” brand power, Subway extended its value networks by (1) incorporating Jared’s friends into the solution networks; (2) sponsoring the fundraising events of the American Heart Association; and (3) addressing the issues of obesity at a forum sponsored by Harvard in 2003 (Boyle, 2005). Building and cultivating value networks through effective brand management may be the reason why Subway has been ranked #1 every year since 2001 by *Entrepreneur* magazine in its well known Franchise 500 listing. Recent report of McDonald’s Moms Focus Group wanting more fresh vegetables and carrot sticks on its menus (Jackson, 2006) might be a response to Subway’s success.

The Vital Role of Information Technology

As a franchise goes globalization, the efficient and effective use of the Internet becomes even more important (Chen, Chong, and Justis, 2002). Netchising (Chen, Justis, and Yang, 2004) is an organizational design which combines the power of the Inter*net* for global integration of the organization’s scare resources and local, motivated entrepreneurs through international fran*chising*. Kodak’s Netchising strategy in China is a good example. With the extensive *localized* presence of KEX as the foundation of face-to-face services to the Chinese customers, Kodak takes it one step further by maximizing its *globalized* presence via Internet to build deeper relationship with its customers, suppliers, and partners.

What’s In It for Franchise Brands Going Globalization?

Global expansion of franchises typically go through master franchising, licensing (e.g., to conglomerate business), joint ventures, direct investment, or exporting (Justis and Judd, 2002). The franchising literature also indicates that franchises going global (Justis and Judd, 2002) need to (1) have thorough understanding of international business, legal and trade laws, language, culture, and political environment; and (2) develop strategies to deal with hindrances such as government red tape, high costs, and import restrictions. The branding literature, on the other hand, identifies six key principles shared by the best global brands (Interbrand, 2006): recognition, consistency, emotion, uniqueness, adaptability, and management. We enrich both literatures by showing that innovative franchise brands, such as Kodak in China and Subway, will go one step further by proactively paying attention to the problems of “They” and turning their products or services into solutions to the problems. Contrary to the conventional thinking, those companies, in return, gain social capital of much more significant value.

5. Practical Implications for Chinese Franchise Brands Going Globalization

Start from the Top Management

The discussions in the last three sections indicate that there are three phases of relationship building for Chinese franchise brands going globalization: the franchisor/franchisee relationship, the brands/consumers relationship, and the franchise’s global social relationship. It is a long, never-ending journey. The franchisor and its senior leadership must champion the relationship building, ideally with the franchisor leading the initiative (Interbrand, 2005; Roll, 2005).

Have a Sound Franchisor/Franchisee Relationship in China

The first thing the Chinese franchisor must do is to closely follow the evolving franchising law of the land and abide it. Consider, for example, the new Regulation on Commercial Franchise which was announced by the Ministry of Commerce (MOFCOM) in December 2004 and took effect in February 2005. This law requires that franchisors have at least "two company-owned outlets, (or outlets owned by its subsidiary or holding company) which have been operating within the territory of China for more than one year" before they are allowed to franchise. Standing on the solid ground of the law, the franchisor can then cultivate and build the good relationship with its franchisees. The value networks methodology is an effective way to help build the good relationship. Specifically, working as a team, the franchisor and the franchisees need to continue having three levels of innovation (Allee, 2002): (1) operational, through efficient *content* management empowered by technology networks; (2) ttactical, through effective management of *context* dynamics embedded in the social networks; and (3) strategically, through innovative breeding of *carriers* of the "contagion of epsilons".

Have a Good Brand/Consumer Relationship in China

Establish the franchise brand incubator documenting and coaching how the franchisor/franchisee relationship is built. The incubator will be used to cultivate the good relationship between the brands and the consumers in the franchise brand universe shown in Figure 4. The goal is to breed Chinese consumers as the carriers, or brand ambassadors (Roll, 2005), who truly love the brands and recommend the brands to others, including those living abroad.

Build Teams of Global Executives

Going globalization is a further step in the journey of building the franchise brand universe. The first thing to do is to build teams of global executives (Sinha, 2005). Their major tasks include: (1) patiently devoting sufficient manpower resources to going globalization (Mendelsohn, 2004); (2) determining the method of going globalization and structuring the arrangement accordingly (Mendelsohn, 2004); (3) finding and building the relationship with the local partners (Schlentrich and Aliouche, 2006); (4) including local people in the decision making process (Khan, 1999); and (5) monitoring closely the foreign exchange control regulating the currency exchange between countries (Justis and Judd, 2002).

Follow the Path of the Chinese Emigration

Historically there has been a significantly large number of Chinese emigrating to other countries such as the USA. According to the U.S. Census Bureau data in 2002, Chinese Americans, around 2.7 million, are the largest ethnicity of Asian Americans

(Cheng, 2002). In addition, there is an increasing number of Asian Latinos living in USA, who are descendants of Chinese, Japanese, and Korean migrated to South America from Asia (DiversityInc, 2003). As the immigrants or their descendants, the Asian Americans typically share common characteristics of behavior. For examples, 93% live in metropolitan areas; 63% use credit cards; 60% earn an income over $50,000; 50% have professional positions; and 37% of adults hold at least a bachelor's degree (Admerasia, Focus USA, 1999). When a Chinese franchise brand goes globalization, it makes sense to first follow the path of those Chinese immigrant communities going abroad.

Leverage the Former Colony Economy in Hong Kong and Macao

Hong Kong and Macao, the former colony of Britain and Portugal respectively, have served as the gateway for Chinese businesses to the English and Portuguese-speaking countries. For example, the Portuguese culture on Macao has helped China become Brazil's second-largest trading partner and fastest-growing export market (Mahajan and Banga, 2005). In addition, the Portuguese-speaking business knowledge has also enabled China to build business relationships with Angola and Portugal (Mahajan and Banga, 2005). Thus, it makes sense to use Hong Kong and Macao as another franchise brand incubators for expanding the business to English and Portuguese-speaking countries.

Be a Low-Cost Leader

As cost leadership is the strength of Chinese brands (Interbrand, 2006), the franchise needs to be a low-cost leader when it goes global. To do so, the franchise needs to continue managing its operational content efficiently.

Be a Niche Player

Kumo Math & Learning Center, a Japan-based after-school educational program specializing in math and reading, has been a leading global franchise brand for years according to Franchise 500. Chinese franchise brands can learn from the success of Kumo by identifying niches where Chinese are good at (e.g., foods, math, and Chinese artifacts) and well known of globally (Interbrand, 2006).

Pay Attention to "They" to Gain the Social Capital

The most challenging and rewarding activity in going globalization is to pay attention to "They" to gain the social capital. The previous eight step-by-step recommendations set the stage for the Chinese franchise brands to build the global social relationship. We suggest another four steps for paying attention to "They". They are depicted in Figure 5.

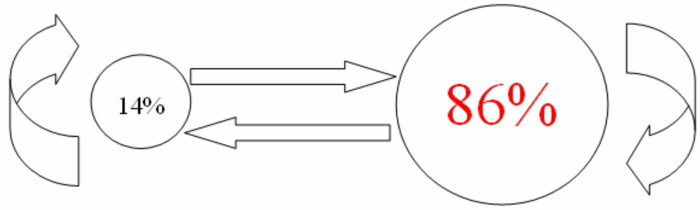

Figure 5. Four Steps for the Chinese Franchise Brands to Earn Social Capital

First, grow in the 86% markets by learning from the successful social capital models like Kodak's. Albert Einstein once said, "Imagination is more important than knowledge." As the case of Kodak in China indicates that to grow in the 86% markets, imagining is the must. Successful cases like Kodak's would help. Consider NIIT, India's largest IT trainer, as an example. Abiding the Chinese government's joint venture requirement, NIIT changed its business model in 1998 to take advantage of the existing infrastructure of 10 leading universities and created more than 100 education centers covering 80 percent of China's providences by 2004 (Mahajan and Banga, 2005). NIIT replicated its successful China business model in other developing markets in Asian Pacific and became the largest IT trainer in Asia (Mahajan and Banga, 2005). In addition, NIIT named Viswanathan Anand, one of the world's best chess masters, its brand ambassador in 1999 to connect with its young customers (Mahajan and Banga, 2005) and deepen its social relationship globally.

Second, follow the high rates of emigration to the 14% markets. This can be done by following the path of Chinese emigration and leveraging the former colony economy in Hong Kong and Macao discussed earlier. Combing with the cost leadership and niche markets, the Chinese franchise brands could play a significant role in solving the have-nots problems in the 14% markets. Third, grow in the 14% markets by learning from the successful social capital models like Subway's. In addition to obesity, another social problem of the 14% markets is the aging population. Home Instead Senior Care, a leading non-medical senior care franchise, developed the Caregiverstress.com to help caregivers to reduce their stresses due to caring for the seniors. This social solution was developed out of the desperate need for dealing with the franchise's caregivers who were burned out while servicing their senior customers. Finally, adapt the successful social capital models in the 14% markets in the corresponding business segments in the 86% markets. As the developing markets grow, there will be new middle class people with life style similar to those in the developed markets. Thus, the issues like obesity and aging will become important in this segment of the developing world. The social solutions by Subway and Home Instead Senior Care can then be adapted in the developing world.

Invest Wisely on Information Technology

As discussed in the last three sections, IT plays a vital role in growing the franchise brands. Specifically, IT investment shall help the franchise to build the franchisor/franchisee relationship, the brands/consumers relationship, and the franchise global social relationship. In order to use IT to manage the global resources efficiently, effectively, and even innovatively, outsourcing portions of IT services to trustful application service providers are needed (Chen, etc, 2001).

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