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How does franchising work in Finland?

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ABSTRACT

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This thesis research contains recent information and data on the franchising industry in Finland. The primary purpose is to provide knowledge of this industry association, the diversities in product types, and entrepreneur presence in Finland's entire value chain. The influential audiences are entrepreneurs who consider doing a business by opening a franchise. Moreover, since the franchise has become more common in the last few decades, it is necessary to do professional research in this field.

The study analyzed and applied several theoretical frameworks such as PESTEL, SWOT of Finland, marketing and customer behavior to support the research process. In the beginning, the author started with the definition of keywords that this thesis contains. Then theories were mentioned before the franchising in Finland overview and the methodology method of research. Following the research method chapter, a survey on the interest in franchising among business students in Finland was conducted.

Secondary data was collected from e-articles, emeralds, books, and Theseus, which are available in the UAS school system, Google scholar. The primary resources were gathered from the Internet and a survey.

As central findings, this thesis pointed out that Finland is a potential market for franchising because it has a stable market share with low risk. It also answered whether fresh graduates buy a franchisee in Finland based on the author's recommendation after doing this research.

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1 INTRODUCTION

In this chapter, the aims of thesis, the major audience groups, the definition of the word franchise as well as the limitations of the research will be presented.

1.1 Aims for the thesis

This thesis aims to provide enough qualified information and sources regarding the franchising industry for senior international business students, Finnish business students, and star-ups. They would have enough proof to see that Finland's franchise is an active industry with many types of goods included fast food, consumer products, hotel and restaurants, services. Moreover, presence in the country's economy industry's entire value chain, industry association, and product variations are its main strengths; meanwhile, tariff barriers remain a cause for concern. Moreover, it also provided information about continuous support from the Finnish government to entrepreneurs. Finally, it analyzes how intense competition, technological changes, and the COVID-19 pandemic could negatively affect all franchise operations.

Consequently, it aimed to be a valuable material for those audiences when considering doing their businesses in Finland.

1.2 Definition of the critical concepts of the thesis

According to the Cambridge dictionary, a *franchise* is an authorization granted by an existing business to a group or an individual to present their business ideas. A *franchisee* is the owner of a franchise who has the right to access and apply the existing business's trademarks, commercial activities, work models. A franchisee can also sell the same products or services with the same standards. However, a franchise is not under the control of its mother company. In simple terms, a franchisee is independent and can make his/her own decision (Tardi C. 2019).

Franchising is an organizational form in which the mother company grants a franchise the right to do their described business manner with a price. Ultimately, the mother company which gave the right to their franchise is called *franchisor* (Elango & Fried 1997, 68-69).

In the last five decades, franchising has become a leading intellectual property leveraging strategy for heterogeneous goods and service businesses at numerous expansion stages (J. Sherman 2004, 11). A few examples of well-known brands that allow franchising are McDonald’s, Subway, Pizza Hut, Burger King, Ben & Jerry, etc.

TYPES OF FRANCHISEES

Buy A Job (Home-Based; Low Invest- ment)	Sales & Dis- tributorships (Product- Driven) & Routes	Retail Store (Business For- mat Emphasis)	Management- Driven (Multi- Unit) Larger Territory or Region man- ages or leads a team of manag- ers on a permit or district basis and elite carts, kiosks, etc.	Financial In- vestment (Large-Scale Project-Hotels, etc.)
Resources needed/ Business Acumen Required/ etc.				
Lowest —————→ Highest				

Table 1. Types of Franchisees

1.3 Limitations

As mentioned earlier, this thesis aims to help start-ups to understand more about the franchise industry, particularly in Finland. Nevertheless, there are many potential business fields in Finland for the franchise, but the author could not mention all of them. In brief, it focused on food and beverage and service as the main object.

The second limitation for this thesis regards the access ability to the business’s report of the author. The information was collected from available sources on the UAS school system, school scholar, and the Internet, where every student in Finland also has accessed.

Therefore, the research result might not be specific and clear enough. Some of the references were written a few years ago, so the thesis was not updated at some points.

Furthermore, in the Theoretical Framework chapter, the author only went through the franchising's theories by explaining the concept instead of depth research. Unfortunately, the knowledge of audiences about franchising in historical view can be affected by that.

Last but not least, the thesis studied did not provide an interview, personal opinion or experience of any franchisee, so it lacks proof from the practitioner's point of view.

2 THEORETICAL FRAMEWORK

In this part, PESTEL analysis, SWOT analysis, customer behavior and satisfaction, marketing and public relations, franchise theories were applied. Before explaining the content of each theory, the author first explained the definition of each and then how it applied into this research.

2.1 PESTEL of Finland

2.1.1 Definition of PESTEL

A PESTEL analysis, or PESTLE, is a framework used to analyze and monitor the macro-external-environmental of a country or a region. Marketers use PESTEL as a tool before entry to a country to determine which factors impact their organization (Anon 2016).

PESTEL (E) stands for six factors:

- Political factors include government stability, government support such as funding and grants, methods for business such as tax.
- Economic factor includes GDP, unemployment rate, taxation index, currency and exchange rate, market income and trade cycles.
- Social factors are consumer behaviour, consumerism, culture diversities, income distribution.
- Technological factors are international influence, technology growth, technology transfer, and application.
- Environmental factors are including social's attitudes towards cooperation with ecological sustainability and climate change, solution for pollution and process rubbish.
- Legal: in the instant court system, regional laws, and labour issues.

(Blythe & Megicks 2010, 65)

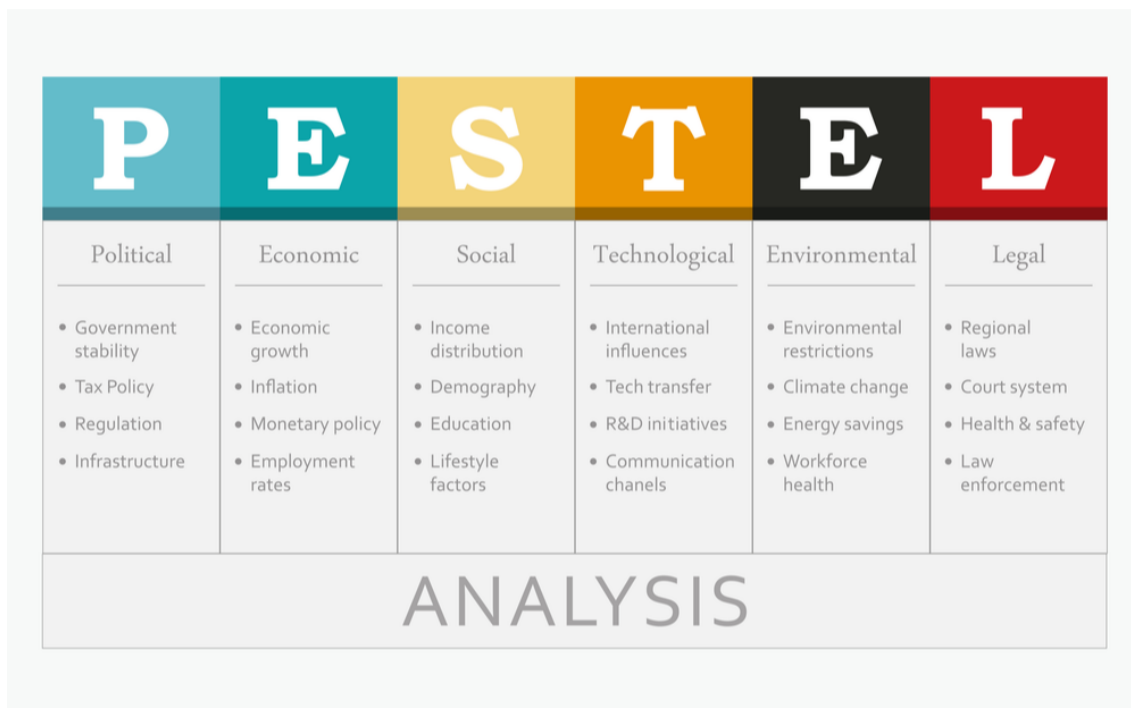


Figure 1. The PESTEL Analysis definition

(Digital School of Marketing 2020)

2.1.2 Political

Surprisingly, the Prime Minister of Finland – Mrs. Sanna Marin, is the youngest female governor in the world. Mrs. Marin presents for Social Democratic Party. She took over the responsibility on 10th December 2019. This fact shows that the government and Finnish people are open-minded. From their perspective, age issues and gender do not affect their selection as long as the politicians run their work smoothly.

For an extended period, three political parties exist simultaneously in Finland: the National Coalition Party, Finns, and the Social Democratic Party. The Social Democratic Party is considered the most prominent party since it gets forty seats in the national elections. Finland creates this multi-party system to ensure that none of any single party gains power alone.

In Finland, Executive Power is on the President because the President is the Head of State and leader of foreign policy. He/she is the commander-in-chief of the defense forces. A

majority wins over a select president every six years. No president can stay more than two re-elected rounds. On the other hand, the Legislative Power vested in the Parliament of Finland. Government has limited rights to amend or extend legislation. There are two hundred deputies elected for four years by proportional representation. The President has the power of veto over parliamentary decisions, although they can be overruled by the parliament (The political framework of Finland 2020).

2.1.3 Economic

Finland's currency is Euro - € with a higher exchange rate than the dollar - \$ and a low, stable inflation rate. Finnish policies are open and supportive to new investment from foreign direct investors and start-ups. Besides that, banks in Finland have credits for business with low interest. However, high taxation (30.5% for income taxes and 24% for VAT), limitation of raw materials, paperwork process, licenses, and high requirements of entrepreneur visa are difficulties for new business with small size (Jingwen 2014, 16).

In 2020, under the COVID-19 pandemic's circumstances, the Finnish economy was facing the most formidable challenge in human history. It deteriorated suddenly in the first quarter of 2020 and had recovered gradually since then until now. Finland's economy will be contracted approximately 7% this current year based on the forecast (Bank of Finland Bulletin 2020).

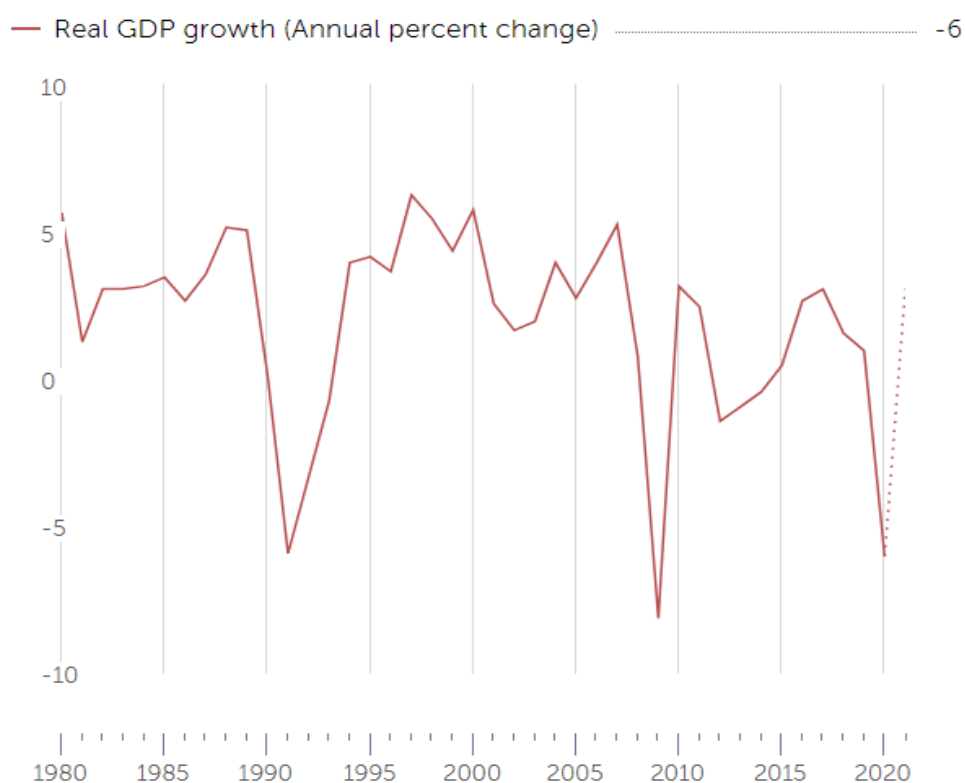


Figure 2. Finland's GDP Growth – IMF* DataMapper, April 2020

* IMF – World Economic Outlook Database

The Finnish economy had a certainty performance with yearly growth at about two one-two percent in previous years. The unemployment rate was genuinely low, and the job market, in contrast, was bustle. In 2019, it was still increased but slower at one one-two percent to 1 one-four. Meanwhile, household debt and weaknesses of productivity are persisting.

Main Indicators	2018	2019	2020	2021 (e)
GDP (<i>billions USD</i>)	274.21	269.65	280.71	292.81
GDP (<i>Constant Prices, Annual % Change</i>)	1.6	1.0	-6.0	3.1
GDP per Capita (<i>USD</i>)	49,738 €	48,869 €	50,774 €	52,866 €

Domestic demand (<i>in % GDP</i>)	2.6	1.1	1.7	1.5
Private consumption (<i>in % GDP</i>)	1.8	1.5	1.4	1.3
Public consumption (<i>in % GDP</i>)	1.5	1.5	2.1	1.6
General Government Gross Debt (<i>in % GDP</i>)	59.3 €	58.9 €	59.1 €	59.9 €
Export of good and services (<i>in % GDP</i>)	2.2	3.9	2.0	2.0
Import of goods and services (<i>in % GDP</i>)	5.0	3.2	2.2	2.0
Unemployment Rate (<i>% of the Labor Force</i>)	7.4	6.5	8.3	8.4

Table 2. Finland's Economy Main Indicators 2018-2021

2.1.4 Social

Finns are polite and restrained in their behavior which could see from their gift exchange habit. Finnish people tend to do gift-giving occasionally and only for their family or close friends. In business culture, bringing presents at the first meeting rarely happens. Instead, they would send a gift to their counterparts when the project ended. In this case, the gift might happen as liquor like cognac or vodka. In all cases, a modest gift is genuinely always a better option than any other gift.

Mentioning Finns' lifecycles, Finland has a flourishing financial lifestyle. This Northern European country provides its citizens with a welfare state which matches only a few countries on the same continent. A generation called 'baby boomers' in Finland, which

creates a new way of thinking. In detail, this generation stresses fairness; they are responsible and have national unity. A Finn is guaranteed an unsolicited life from birth to death from their social welfare and security.

Finnish people balance their mental life and physical life by working less than 40 hours a week. Most of the office works, such as banking and administration, starts quite late at about 9:15 am and ends at 4:15 pm on weekdays. Seemingly, Finns do not prefer working during the weekends, and if they do, they get double pay for that and another day off in the following week. The unemployment rate in Finland for Finnish people has decreased rapidly in the last few decades and currently stands relatively low, at under 9 percent. For the lower-paying job, the employees often take it after they finish high school. Otherwise, they would continue higher education for higher-paid jobs. Research shows that Finns do not usually think of changing their careers; the most elevated rate dropped at young generation. Retirement age is at the age of 65. However, most Finns retire when they are 59 years old (Finland Society and Culture Complete Report, 2010, 1-11).

In Finland, the dispersion of incomes has changed swiftly and considerably in the past few decades. Those changes measured by various factors at the household level, including wage inequality and unemployment rate. According to the OECD's research (a social organization in Paris), Finnish average market incomes at the household level increased in real terms by an approximate amount between ten to twenty percent rough 20 years. Since the mid-90s, incomes rose higher and quicker in Finland. Meanwhile, preferences for inequality reduction have attenuated (Immervol; Richardson 2011).

2.1.5 Technological

In the early 1990s, this Nordic country had only one high education organization: the University of Helsinki. However, fifteen universities were built just by the 1960s all around the whole country region. Meantime, technology and science significantly developed and became a debate topic and an active area for government subservience. Those changes below were considered as the four most extensive and most significant changes in Finland within twenty century:

- Capability improvement; operating and utilizing conditions of universities.
- Growth and development technical studied

- Public support for firm's R&D
- Establishment of high-level coordination.

In the 1980s, Finnish's economy developed rapidly fast, made Finland a knowledge economy and the leader of societal and economic growth. This growth was quicker compared to the industrial countries. Nevertheless, the corporation with the Soviet Union had harmed the domestic banking system and brought several economic crises during 1991-1993. This event caused Finland's GDP to over 10 percent dropped down.

The appearance of Nokia and its development significantly helped Finland recognized as a highly recommended country in ICT equipment. Finland started to recover considerably and left the crises behind. Like the following, Finland turned itself to be the most innovative and a strong competitor in the technological industry.

Moreover, the victory from the globalization process in 2014 had brought the manufacturing and technological industry a massive chance for expanding in internationalization. At present, Finnish policies are focusing on business services and also but less on public service. The main reason is that business services have proliferated and seen as a potential factor for developing an economic base and sustainable life-being (Lindy H., Piirainen, Salminen, White 2014, 47-55).

2.1.6 Environmental

Geographically, most of Finland's land locates in the Eastern part of the European continent. Still, it is one of the Northern European countries and the Nordics with Sweden, Norway, Denmark, and Iceland. Finland's time zone is two hours ahead of Greenwich Mean Time (GMT) during winter and three hours ahead during summer. It is the fifth-largest nation in Europe and the third largest of Nordic countries with more than 338 thousand square kilometres (equally 130,558 square miles). Finland is well-known as a remarkably wild habitat with over 70 percent plantation land, forestry. It is enormously impressive that the woodlands acreage of Finland is even larger than England's size.

Moreover, Finnish people are proud of their unique water-covered nature. Finland has many lakes on its land, which makes Finland known as a thousand-lakes country. Following the numerous researches from 'CultureShock!', there are 187,888 lakes and

179,584 islands in Finland with and without names. As a result, there is pretty less land than water in a few Finland arrondissements (Swallow D. 2010, 16 and Wikipedia).

The first impression of visitors to Finland should be the cleanliness in this nation. As Deborah Swallow mentioned in his book 'CultureShock!', the cleanliness in all places in Finland impressed him. He took Helsinki Airport as an example because this is the first-place travelers might arrive in Finland. It is impossible to negate that all facilities in this airport are genuinely clean and shining. Deborah also figured out that this characteristic is a part of Finn's national pride (Swallow 2010, 5-6). Besides that, Finns naturally love outdoor activities like jogging inside a forest, picking berries and mushrooms during summer, fishing on a frozen lake, and skiing during winter (Swallow D. 2010, 17).

2.1.7 Legal

In Finland, there are no imposed or limited general restrictions on investments from overseas following the laws. Foreign entities have the right to purchase the shares and assets in all of the Finnish organizations. They do not need to have approval or permission from Finnish authorities.

On the other side, all the companies in Finland must apply the Finnish Employment laws, which regulate all the needed issues between employees and employer. The Employment Contract Act has interpreted claims based on each employment contract, the employee's fundamental rights, job secrecy, and all involved parties' duties. For example, it can be sick leave, holiday, compensation, and transfer of undertaking, etc.

Following the Constitution, every Finns can raise their voice by an authority or the court in Finland. General court and administrative court are two courts divided by the Finnish court in 1918s and now are the two biggest courts in this Nordic country. In addition to this, solving the civil suits and criminal situations are belong to the general court, whereas the administrative court deals with the litigations between administration and people (Finland and China PESTLE Analysis 2017).

2.2 SWOT analysis of Finland for franchising

2.2.1 Definition of SWOT and SWOT analysis of Franchise industry overview

SWOT presents for Strengths, Weaknesses, Opportunities, and Threats. SWOT analysis helps a company to know where they are standing by answering the following questions:

- A) What are you doing well? What are you not doing well?
- B) What are others seeing you as your strengths and weaknesses?
- C) What could you do to improve your business?
- D) What kind of opportunities do you have? How can you turn those to be your strengths?
- E) What threat could harm you? Is there any weakness expose to be a threat to you?

(Mindtools, SWOT Analysis 2020)

However, this research was not about a particular organization but Finland as a country. Thus, in this part, Finland will be seen as an objective to answer those questions.

2.2.2 Finland's SWOT analysis



Figure 3. Finland's SWOT analysis

(Finland, a land of solution 2015)

Strengths of Finland: Finns are skilled, determined and Finland is an egalitarian and solution-focused welfare society. They have a robust, well-functioning democracy, and their administration is trustworthy. Moreover, Finland's institutions work exceptionally effectively. As described before in the Environmental part (chapter 2), Finland has high cleanliness standards and a great wild environment. Furthermore, using the nation's finances to invest in its renewal and improve the public's current account are national rejuvenation majors.

Weaknesses of Finland: The old population and deterioration in the dependency ratio hold the Finnish growth economy back. The competitiveness is declining slightly and leads to retard investment and narrow their production structure. Inequality between regions and

citizens, unemployment rate, and inherited disadvantage are getting worse because of Finnish rigid structures, standardization, bureaucracy, and over-regulation. Personal change-resistance, aggressive attitudes, the outsourcing of responsibility, apathy, inability to reform, lack of leadership, and the erosion of trust in political decision-making are worsening Finland's overall situation.

Opportunities: First, Finland is a highly regarded, miniature, and agile country which can bring out human issue's solutions. Second, by the same token as other countries, internationalization trend with free customer trading, decline tariff costs, economic growth globally, and high technological development has brought Finland new opportunities. Third, Finland can capitalize on the latest trend like urbanization, changes in demographics, technological development, automatic digitalization, and climate awareness. Last, its geography's advantages by being next to Russia and a member of the EU enables easy and fast trading between Asia and Europe.

Threats: Besides many opportunities, Finland has simultaneously faced a few threats. The international security environment's current substitutes caused instability, power politics, and Russia's unfavorable developments. International terrorism, crimes, pandemics, and illegal immigrants are increasing. At the same time, Europe's economy is declining because of a lack of competitiveness with international competitors. Additionally, Finland is not out of the world's game; climate change and other ecological sustainability problems such as pollution, natural resources overexploitation, renewal are challenging Finland (Finland, a land of solutions 2015, 9)

2.3 Consumer behavior and satisfaction

In 2015, HCI in Business was running an interview on seven Finnish businesses, and they had noticed the Finnish customer behavior changes. Five out of seven interviewees acknowledged that more and more customers were accessing their company's online TV Chanel's before going to physical stores (S. Peltola, H. Vainio, M. Nieminen 2015).

2.4 Marketing and public relations

2.4.1 Omnichannel

Digitalization has contributed to the retail and wholesale industry in Finland's improvement entirely and permanently. Recently, most retail businesses utilize multiple online as well as offline channels. All the commercial marketing channels for a product or a brand are seamlessly integrated as a new retail shape known as omnichannel retail. The aim of omnichannel is that consumers can use any available channels during the purchasing process.

According to Huuhka, there are three waves used to outline omnichannel. The first one emerged in the mid of 1990s. The appearance of high technology like the Internet, smartphone, and laptop had helped retailers to build sales channels online. During this wave, the majority of consumers had not to get familiar with online shopping yet. The second wave began when human started getting familiar with digital solutions in daily lifestyle. To match with the high demand, companies invest in online store interfaces. When intelligent devices became more common in human lives is also when the third and current wave started. Nowadays, consumers expect seamless and integrated experiences across all online and offline channels. This whole concept is called omnichannel retail (S. Peltola, H. Vainio, M. Nieminen 2015).

2.4.2 Finland's media channels and the current communication landscape

Even though digitalization has been developing rapidly fast from the mid-90-s in Finland, traditional media such as newspapers, broadcasting are still popular. YLE – the Finnish National Broadcasting Company owned by the Finnish State is the most common channel. This company has including radio and television programs. Alongside YLE, there are more than seven daily newspapers and several private broadcasters exist in Finland (Okkonen L. & Suhonen N. 2010).

Finland is one of the countries which has fast optical fiber networks, robust and available internet access. Besides that, it is easy for everybody to get a newspaper, reaching the Internet through every café store, library, home-based order.

2.4.2.1 Print

With approximately 200 newspapers and three billion copies in circulation, this is the most prominent media in Finland's market. The most famous publication that stands out

with 300 000 users is Helsingin Sanomat. Following the Finnish Newspaper Association Review in 2013, newspapers reach out to more than 80% of Finnish citizens.

2.4.2.2 Radio

Again, YLE is the national and most popular radio program in the entire country. According to Global Alliance 2014, it was about 75%. Finns used Radio a day with 180 minutes as an average. YLE reached about 41% of all daily audiences, and meanwhile, commercial stations contributed the other 49%.

2.4.2.3 Television

The consumption time of Finns for television has increased over the last 20 years. On average, Finnish people spend about 182 minutes on television every day. The database studied was done in 2013 showed that viewers aged from 16 to 74 contributed 65% of the market. As mentioned earlier in this research, YLE has contributed the most significant part of the market with four national channels (YLE TV1, YLE TV2, MTV3, and Nelonen) (Taiminen K., Lievonen M. 2014).

2.4.2.4 Social Media and The Internet

It is true to say that all Finns and companies in Finland have the right and the ability to access the Internet. In 2018, 89.02% of the population used the Internet regularly, which equals 4.92 million citizens. This number was forecast to be increased every year and will reach 97.5% in 2024. (Niinimäki E. 2020).

Share of internet consumers	
2024*	97.5%
2023*	96.9%
2022*	95.46%
2021*	93.95%
2020	92.37%

2019	90.73%
2018	89.02%

Table 3. Internet user forecasts in Finland from 2018 - 2024

2.4.2.5 Telecommunications

In the 1990s, telecommunications in Finland developed rapidly because of Nokia and Nordic Mobile Telephone (NMT). This event led to the improvement of Finland's economy. Based on a study from OECD 2014, Finland ranked on top of the countries in wireless broadband connections (per capital). It also one of the first countries to apply 5G in almost over the country regions.

2.5 Theoretical perspectives to franchising

There are two ownership strategies in franchise unit expansion: single-unit franchising (SUF) and multi-unit franchising (MUF). In the case of SUF, a franchisee establishes one unit; meanwhile, under MUF, a franchise opens at least two units at many locations within the same franchise system.

The major theories conception applied to SUF and MUF through the history will be mentioned in this part. Repeatedly, as mentioned earlier in the Limitations part, this thesis shall not go through the details of each theory. Those theories divide into three main groups as below:

2.5.1 Agency theory

This theory explains franchising, specifying the relationship between the agent (franchisee) and the principal (franchisor). Shortly, minimizing the agency problems to increase its synthetic power is the franchisor's responsibility. Besides that, by reaching the highest brand power chop, franchisees and franchisors can gain a win-win situation and improve their counterpart relationship. The agency theory also explains the decision to expand a mix of franchising instead of company-owned units of some businesses (Huang 2004, 157).

The pure franchise systems and the plural one are the two existing ownership systems, and both have each's own strengths. The purely franchised system allows accession to franchisee capital and employee database from the firm. Aside from that, unqualified franchisees can damage the brand image because significant expansion might occur at any point through purely franchised. On the other hand, the plural system is a hybrid system with three establishment methods (Tikoo 1996). First, a firm can achieve franchising's initial advantage by taking over some locations after the expanding process (Oxeneldt & Kelly 1968, 69). The second established way is franchising the new units after operating a company-owned store. In this method, the franchisor can pre-test the business process and product lines to avoid possible crises beforehand. Lastly, a firm can combine the benefits of the two ways above by opening franchises and company-own outlets at the same time (Huang 2004, 159).

Follow by one of the perceptions of agency theory, and franchising is a bright and costless solution regarding employee motivation issues and the ineffectiveness of production (Brinkley and Dark, 1978). Rubin claims in his argument in 1978 that giving franchisees a share profit of a franchise is the simplest motivation method. Hence, the franchisee will work harder to gain more sales. The similarity in revenue growth between franchisor and franchisee reduces the marginal costs of monitoring company-own outlets.

- Demsetz and Alchian in 1972
- Jensen and Fama in 1983
- Meckling and Jensen in 1976
- Eisenhard, published in 1989
- Dark, Brickley and Weisbach in 1991
- Spinelli, Birley, and Rosenberg, established in 2004

2.5.2 Transaction cost theory

Since the 1930s, transaction cost economics (TCE) has developed and contributed as an essential perspective germane to economic and business research in general and franchise industry in specific (Dahlstrom, 2010). The first time TCE was mentioned by Ronald Coase in 1937 in his book "The Nature of the Firm". According to this book, by franchising, the business has minimized its transaction cost to the lowest level.

The transaction costs can save by reducing the internalization of transaction costs. Compared to a new business idea, franchise unified the procurement process that declines the charges and time for searching the suppliers, target consumers, and trading partners. Moreover, the franchise's improvement in mode operation might be affected by exchanging information within the franchisors. Additionally, managing the internal transfer cost by one unified method can coordinate and reduce the price comparisons' research costs (APA, 1970).

The detail of the relative between TCE and franchise can be shown from the following comprising. Time, energy, configuration, and finance are the company's resources that constitute the transaction. In general, transaction costs refer to numerous types of expenses and the direct production costs of companies in the business process. In other words, many costs might incur within or outside the enterprises among the business process.

An opportunity cost should be mentioned first as a must-cost in a business. Businesses need to promptly identify the potential consumer demand and guide consumers to respond quickly on time.

The second cost is the cost of a contract. Leading up to develop business contracts, negotiations, and documentation must be investigated. The negotiations will take time, money, and workforce to spend a significant amount, which is the contract's expense.

The third cost is the cost of monitoring. Once the company is required to buy the goods, it is necessary to inspect them, which will cost a particular volume (David & Han, 2004). That is to supervise the execution of the cost of the contract.

Next, there is a cost for contract establishment. In the real market, the company representative must make a payment for suppliers when the product quality is inevitable, and it can happen at a bank. This payment process takes some time and costs, which can count as the contract's delivery costs. Not only that but there will be some costs for dealing with the disputes if contractual disputes arise during the implementation process.

Hence, as the economy is going and sales, the prices will rise. For companies and communities, transaction costs are critical, so most businesses are looking for ways to reduce

transaction costs (Wong, 2010). It is probably correct to state that franchise is one of the influential business modes to reduce the cost of transactions.

- Williamson in 1985 and in 1991
- Rubin in 1978 and in 1990
- Klein in 1980 and in 1995; Klein with Saft in 1985; Klein with Murphy in 1988
- Minkler and Parkin 1994
- Spinelli, Birley, and Rosenberg in 2004

2.5.3 Resource-based theory

The perspective on franchising depending on resource-based hypothesis stresses diversifying as a method for procuring unmistakable and elusive capital, which the franchisor can use for extension. Franchising is the franchisor's capital procurement method because franchisees pay an establishment expense as they join the framework. Moreover, they likewise put resources into their outlets. From the franchisor's perspective, this outer well-spring of capital can greatly allure gratitude to its minimal effort and okay. Franchising additionally answers the issue of outlet the executives looked by the franchisor. The franchisee may have data, abilities, experience, and information on the local market.

- Oxenfeldt & Kelly from 1968 to 1969
- Hunt in 1973
- Anderson in 1984
- Norton in 1988
- Minkler in 1990
- Shane in 1996

3 ADVANTAGES OF FRANCHISING FOR THE FRANCHISEE AND THE FRANCHISOR

To prove that franchising is one of the potential business methods for graduates, this chapter will go through its advantages from both franchisees and franchisors perspectives. There are many benefits of franchising but the authored only listed the three primary ones as the followings.

3.1 An investor-ready business model

One of the first and most important benefit from franchising that the franchisees can run a-ready business model. Besides that, it does not matter if the franchisees do not have much experience because they will be provided the training sessions and might be with ongoing support as well. Adding funds for franchisor and reducing costs for franchisee are also franchising advantages.

3.1.1 The proven business idea with a grantee of success

In general, start-up businesses' rate of success is lower than franchises. Specifically, the franchisor has a proven business concept that will provide the franchisee with an available network full of support. Besides, the idea probably has been tested in multiple markets and countries. This advantage brings entrepreneurs a chance to access new loans to launch their business. Having a proven business concept also means that the products or services from the franchisor are in the market's demand. (Lauckner S. 2020).

3.1.2 No prior experience and reducing cost

From a franchisor's perspective, having and retaining a good unit supervisor is a stumbling block that numerous entrepreneurs face when expanding their business. The process of hiring and training a new manager takes probably a couple of months but still, perhaps, not yet works. Promoting an employee to be a manager is not the best option for the

owners because they may or may not fulfil the job requirements, which leads to the difficulties of supervising them. On the other way, franchising, by substituting an owner instead of a manager, allows the investors to overcome these problems (Siebert M. 2015)

A franchisee does not necessarily need to have management experience to establish and run a franchise unit. The franchisor will provide the training sessions to the franchisee about their business model. Besides that, depending on the lease and the agreement, the franchisee can be provided with the equipment, suppliers' contacts, skilled employees, marketing campaigns with access to nation channels, ongoing support with business assistance – all the essential functions to be a successful business.

Additionally, purchasing a franchise unit might cost less than start-up a new business within the same field.

3.1.3 Capital

A business owner often faced the situation that their business growth outstripped their funding ability. Lack of access to capital or new investor is one of the most common barriers to expanding. Franchising, however, allows the owner of a small business to grow without concerning about debt risk and equity cost. The franchisee brings out the capital needed to establish one unit and support from the franchisor and others. Furthermore, the franchisee commits to no contingent liability for expanding, which somehow reduce the risk to the franchisor (Siebert M. 2015)

3.2 The relationship with suppliers is built

Acquiring a franchise comes with their supplier network, a built relationship, and the network's sheer size. In the business rule, the more items ordered, the lower the price business has to pay; hence, the franchisee has the opportunity to get a deep discount since he or she can use the order power of the mother company to negotiate (Lauckner S. 2020).

3.3 Brand recognition and loyalty

For a start-up, it would take time, can be years, and significant investment in marketing and advertising to build their brand and loyal customer base from the ground up. Most of the franchises are recognizable brands with ready-built customer bases. Hence, the franchisee will automatically have loyal customers going with unite procurement process.

4 DISADVANTAGES OF FRANCHISING FOR THE FRANCHISEE AND THE FRANCHISOR

Alongside with advantages, there are also a numerous of franchising's stumbling blocks to consider. In brief, both franchisee and franchisor have to face various of restrictions, damage reputation because of other's mistakes, financial constraints such as lack of financial privacy, and legal disputes.

4.1 Restrictions for the Franchisee

Franchise restrictions are constructed to maintain consistency between the franchising units and the parent company. However, franchisees may feel frustrated with their limitations.

4.1.1 Restricting Regulation

The franchisee has ownership, but that right still does not allow them to make all decisions without the franchisor's involvement. Compliance with the restrictions is one of the disadvantages to a franchisee based on a franchise agreement. Obviously, the franchisor has the right to control most of the franchise's decision-making processes related to its entity. The restriction areas can be unit location, operation plan, pricing strategy, holidays and employee affluence-fare, store decoration, product category, discount conditions, or promotional content.

4.1.2 Financial Constraints related to Upfront Cost, Ongoing Investment and Financial Privacy

A successful and profitable franchise costs voluminous money, so it is stressful for entrepreneurs to join. A franchise has to spend several thousand to several hundred thousand dollars in advance as the initial investment. Although this initial investment can bring countless benefits downstream, they still have to accurate to equity balance.

Along with the initial investment, ongoing costs are unique to the franchise, which the franchisee must provide to start their own business. In any franchise contract, the continued investment of the franchise has to be recorded. These costs may include royalties, setup, marketing costs, and a service training fee.

Another downside to the franchise is its lack of privacy. The franchise agreement may allow the franchisor to oversee the franchise's entire financial ecosystem. It can be advantageous if the franchisee wants financial guidance; otherwise, it is a disadvantage (Lauckner S. 2020).

4.2 Disadvantages for the Franchisor

For franchisors, expanding their brand by franchising is not always beneficial; there are some drawbacks to be considered.

4.2.1 Losing Complete Brand Control and Reputation

An independent business owner sells some control over their brand when franchised instead of having complete control over every decision in the organization. While a franchise contract should contain strict regulations that determine the franchise's direction, the franchisee is not a copy of its franchisor. They have their own opinion and may have different movements, and then the brand won't have the consistency as desired.

The parent company's significant reputation risk of allowing other entrepreneurs to use their brand image and trademark if the franchisee does not comply with its quality standards. For example, the cleanliness or quality of the franchisee's products/services is not commensurate with their mother company (Saylor A. 2015)

4.2.2 Initial Investment

The franchisor must make an initial investment to start a franchise. During the process, the franchisor must ensure that the franchise contract is carefully drafted and inspected by an experienced attorney and a franchise consultant to gain expertise.

4.2.3 Increased the likelihood of Legal Disputes

Whenever a company enters into a close commercial agreement with another company, they run the risk of a legal dispute. Although a well-developed and approved agreement by an attorney significantly limits the likelihood of a legal dispute between the franchisor and the franchisee, possible disputes can arise. Unfortunately, any legal dispute can take away a company's success by wasting time and money on the court system (Lauckner S. 2020).

5 FRANCHISING IN FINLAND OVERVIEW

From what has been represented in the theoretical chapter about Finland's characteristics, this chapter will shortly brief the current overview of franchising industry in Finland.

According to export.gov research in 2020, the Finnish franchising industry outcome was estimated at over 6 billion dollars, with 7000 units belonged to 250 to 300 franchising organizations, and the number of employees was between 40,000 to 60,000. The research was done in 2018 showed that only 25% of the whole industry was overseas, the other 75% were domestic investments. In Finland, franchising exists in all market sectors from approximately 22% in retail, 23% in food chain & restaurant, to 55% in services (export.gov 2019).

Business to business, accountancy, human resources, and cleaning are the most popular franchises in the service industry. Besides that, there are countless other franchises, such as advertising franchises, decorating franchises, IT franchises, etc. In food chain and restaurants, the most outstanding brands are from America, including fast food (McDonald's, Burger King), café (Mikel coffee), restaurants (Carrols), pizza (Pizza Hut). Alongside the American fast-food stores, Asian food like Thai food (Bangkok) or sushi (Itsudemo, Luckiest) and milk tea (Kong Cha, Zhao Tea) also develop rapidly in the last decade. Finnish brands contribute to the market share in retail - for example, K-supermarket, Ingman, Pingvini, Fazer, Kicks (STARTUPoversea).

The most consideration of the franchising industry' mandatory provisions is the Contract Act, the Unfair Business Practices Act, the Competition Restriction Act, and the Trademarks Act. From 1/1/2017, the Finnish Franchising Association's Code of Ethics laid out a suitable framework for franchise agreements (export.gov 2019)

6 RESEARCH METHODOLOGY

In this chapter, the author introduced the chosen methods and how they were applied to the research process. This study's main concern was if franchising a potential option for business students to start their own business; both methodology methods were applied during the study to earn a clear answer. The qualitative method was used to gather data from secondary sources, but the author only used the quantitative methods as a survey to research student's views. The result was based on the numerical data analysis. Therefore, the author only focused on explaining the quantitative method as the following.

6.1 Quantitative methods

6.1.1 Definition

“A research methodology that seeks to quantify data and, generally, apply some form of statistical analysis.” This method is considered the most popular method in marketing research to gather major databases. It emphasizes numerical analysis, objective measurement, mathematical perspectives from surveys or questionnaires to explain a particular phenomenon. The result of quantitative methods is to clarify the features and explain what was observed based on most respondents (Earl R.; Mijas D. 2010).

6.1.2 Strengths and Limitations

Quantitative methods allowed for a more significant number of subjects to participate and amplified the overall results. Relatively speaking, quantitative methods are created to obtain data summarizes that bring conclusions to the research phenomenon. Also, quantitative research can be replicated and analyzed for comparison with similar analysis. Another strong point is that quantitative methods can avoid personal bias by applying conventional mathematical techniques (Craig L. 2011).

Even though quantitative data is more efficient and hypotheses can be tested, contextual details may be omitted. Besides that, the process of discovery is inflexible because of the static and rigid approaches. The outcome data might reflect the researcher's point of view rather than the participants since the standard survey questions can lead to “structural bias” and misrepresentation. Ultimately, studier may gather data more narrowly and superficially (Earl R. 2010, McNabb D. 2008).

6.2 Analysis results

The studied was used both quantitative and qualitative method during the data collection process. Since the research was about franchises in Finland, including Finnish brands and foreign brands, the collected data was gathered from domestic and international sources and primary and secondary databases. The limitation of this thesis research process that it was not applied to internal sources since there was no interview or access to the company library. However, many internet references, books, articles that were publicly or non-publicly established were used. Moreover, the process was a combination of academic and practical data. All collected data were carefully analyzed before written in the thesis to provide the central and needed information.

Relatively considering this study's primary goal, surveying business students with bachelor's and master's degrees might be the most suitable quantitative research method. Through the survey, the business students could imagine themselves as an entrepreneur deciding to own a franchise or not. More importantly, it helped to emphasize how deep they understand the Finland market for this particular industry. The outcomes will be used to analyze how many students are interested in this type of business, how much potential of franchising compared to traditional start-up, and how students could choose the best option for them. There is no age or gender limitations of the respondents.

7 SURVEY

7.1 Questionnaire design

To facilitate the research inquiry, the author developed the questionnaire with a combination of many types of questions. It includes closed multiple-choice questions, which allowed several alternative selections or yes/no answer, open questions where respondents can express their opinions or develop their previous responses in details, and scale questions with five expression levels. The survey was sent to the International student and Finnish student group of Vaasa University of Applied Sciences, International Students in Finland and Vietnamese students in Finland Facebook group.

Subject	Question number	Question content	Question type
Survey Introduction		Explaining the author's background, survey's structure, and purposes	
Respondent's background	Question 1	Major	Multiple-Choice & Open Question
	Question 2	Level of Education	Multiple-Choice Question
	Question 3	Year of Graduation	Multiple-choice Question
	Question 4	Living Time in Finland	Multiple-choice Question
	Question 5	Currently or used to own a franchise	Yes/No Question

Personal reference on franchising purchasing decision-making	Question 6	Personal thoughts on owning a franchise unit	Yes/No Question
	Question 7	Personal market sector reference	Multiple-Choice Question
	Question 8	Reasons to chose franchising over a new business idea	Check box
	Question 9	Which factors and how much it would affect the purchasing decision-making process	Scale 5 – Not Important to Important
	Question 10	Franchising Disadvantages	Open Question
Conclusion	Question 11 & 12 & 13	Franchising is more potential than a new business idea start-up & explanation; additional information	Scale 5 – Agree to Disagree & Open Questions

Table 4. Survey questionnaire structure

7.2 Data collection process

The author sent out the survey form from 4th April to 18th April 2021 to Vaasa University of Applied Sciences and several international students in Finland Facebook groups. The survey was conducted by Google Forms, and the same platform will represent the collection date. All respondent's personal information was anonymous.

7.3 Validity and reliability of the data

In any research, validity and reliability are concepts used to indicate its excellence regarding the research method, test measurement, content. While reliability means the measure's consistency, validity is about the accuracy side of that method (Middleton F.

2020). The author is going to explain the validity and reliability of the chosen method of this study as below.

With reference to validity, there were 80 respondents participated in the survey. The questionnaires were sent to the Vaasa University of Applied Sciences students' emails and international student groups in Finland. The survey was created in English, so the number of respondents might be affected by the language barriers. It was also sent to the IT student department, so 3,75% of the answers came from technology engineering students. Besides that, the information was used for the theoretical and the empirical parts came from reliable and professional sources.

In terms of reliability, the questionnaires were conducted in order to solve research questions and was linked with the theoretical parts and other chapters. The survey was tested on 5 people before sending out to multiple respondents and got approved by the author's supervisor. Moreover, the questionnaire's structure allowed the respondents to reply within 2 minutes and not necessary to lookup the answers on the internet, thus it avoided dishonest answers.

7.4 Analyzed the survey results

Question 1. What is your major?

80 responses

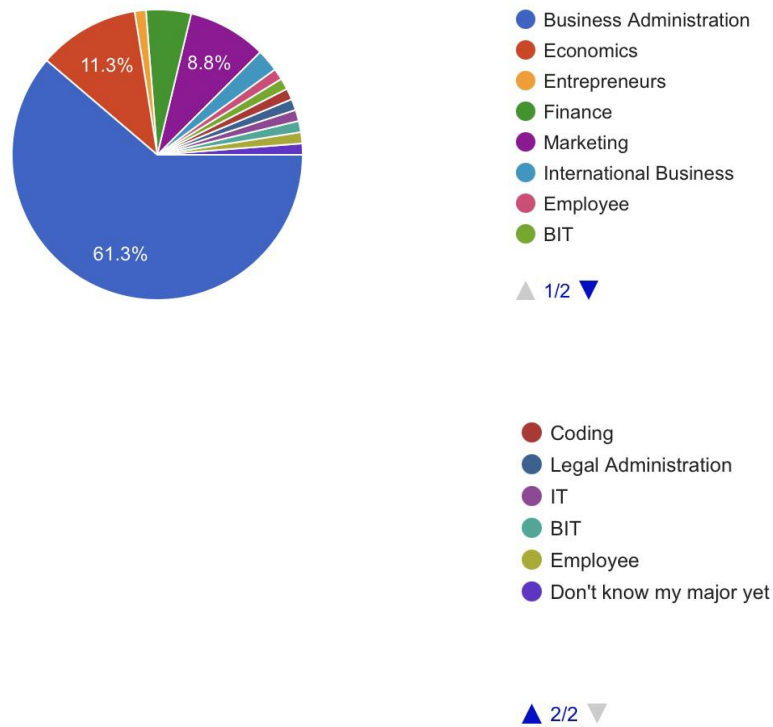


Figure 4. Major of the respondents Pie Chart

Among 80 respondents there were 61.3% of them taking Business Administration field of study, 11.3% of the respondents are economics students, and the rest are also related majors such as Finance, Marketing, BIT (Business Information Technology, Entrepreneurs, etc. Figure 5 showed that 93.8% of their level of study was bachelor's degree, only 6.2% of the respondents were Master students or graduates, and no higher education level look account into this survey.

Question 2. What is the highest degree are/were you taking?

80 responses

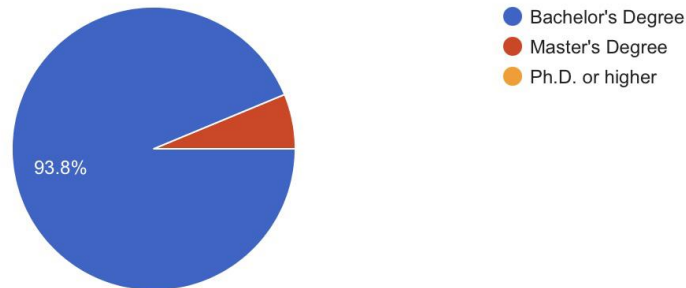


Figure 5. Degree of the respondents

Question 4. How long have you been in Finland?

80 responses

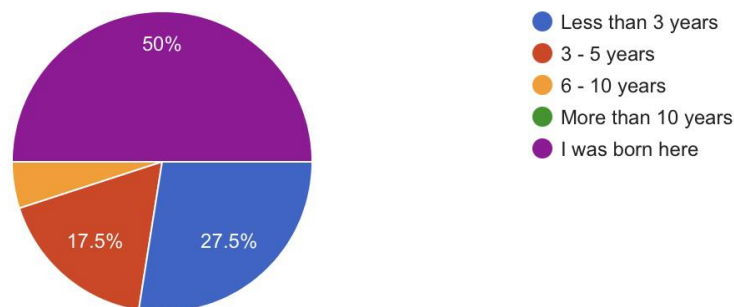


Figure 6. Living time in Finland

The author sent out the survey form from 4th April to 18th April 2021 to Vaasa University of Applied Sciences and several international students in Finland Facebook groups. Figure 6 demonstrated that 50% of the respondents are Finnish, following the number of foreigners living here less than three years as 27.5%. None of the respondents came and lived here for more than ten years. It is understandable since it is not common for a foreigner to start study again or still in school after ten years of living in Finland. For the question regarding their interests in franchising, 3.7% of the respondents do or used to own a franchise unit, 35% of them claimed that they might consider buying one in the next couple of years.

Question 5. Have you ever owned a franchise unit?

80 responses

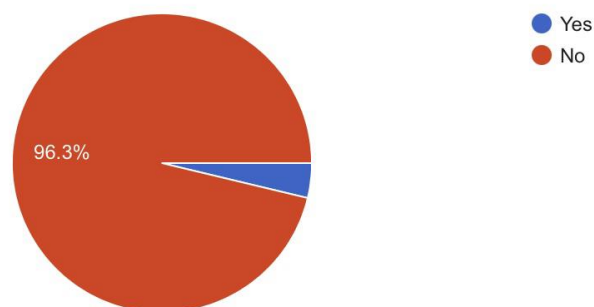


Figure 7. Owing a franchise

Question 6. Have you ever planned/thought to buy a franchise in the next few years?

80 responses

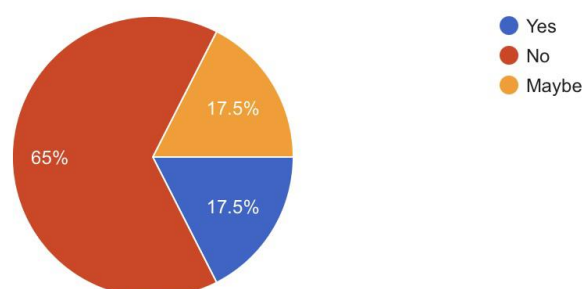


Figure 8. Plan future in owning a franchise

One respondent explained for his/her choice that: "Having a new own business is much more complex, time-consuming, and costly than inheriting a business model and customer base in the franchising business. Finnish customers tend to more open to brands that they have known than ones that are merely noticed".

Another respondent also agreed and replied: "Finland has a small market size. It is better to establish an available brand than to open a whole new business because it's fewer risks".

However, there was also a majority of respondents supported the idea of opening a new business. One said: “Taxes and franchise fees are too high so it could be hard to earn profit”.

The row chart below provided the most common reasons that would affect the respondents’ decision-making about owning a franchise instead of a new business. The most important reason was that franchising offers brand recognition, with 77.5%, which equals 62 of people choosing; the second common reason came to the well-structured business with 67.5%, which was at 54 replies; and the next one was loyal customer base with 62.5% as 50 replies. The least common reason to choose franchising as a career was the ability to control stock on hand of the franchisor, with only five respondents as 6.3 percentage replies.

Question 8. Chose the THREE most important reasons that make you chose to buy a franchise instead of starting a new business

80 responses

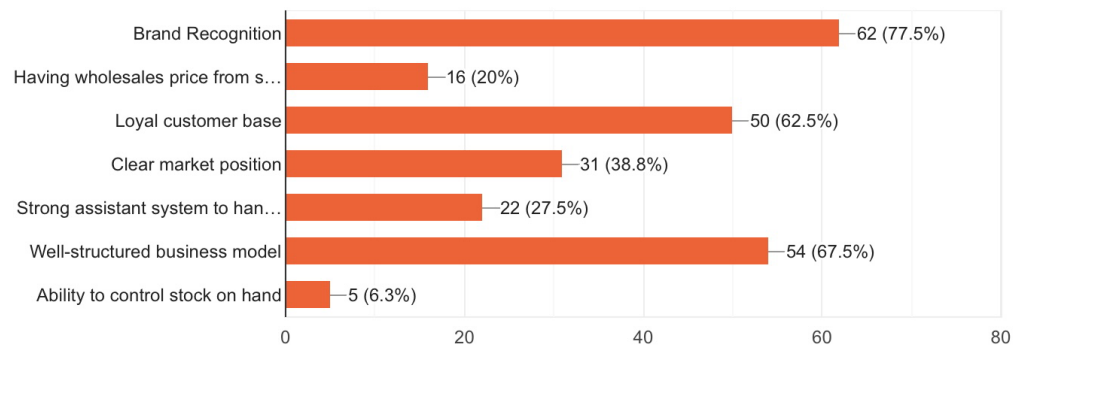


Figure 9. The important reason to purchase a franchisee unit

Many factors played an important role when it came to the next stage, which is choosing a specific brand to purchase. Hence, question number 9 carried out the vital role elements in this stage. The chart below illustrated the most important and common factors that would affect an entrepreneur's purchasing decision-making. There were 48 selections for the brand image as the Very Important element, whereas none of the respondents thought that brand image was Not Important. Besides that, the franchising cost contributed a significant role in this decision, with 30 respondents ticked the Very Important box and the

only one ticked it as Not Important. The majority of the respondents did not think that brand image size contributed much to their decision-making process since only 11 of them ticked the Very Important box.

This question explains the first franchising theory that franchising is in truth a win-win situation, not only for the franchisor but also for the franchisee. The theory represented that the franchising-agency concept minimises the franchisee's issues (Huang 2004, 157).

Question 9. How important of the following factors would affect your decision making on purchasing a specific franchise brand?

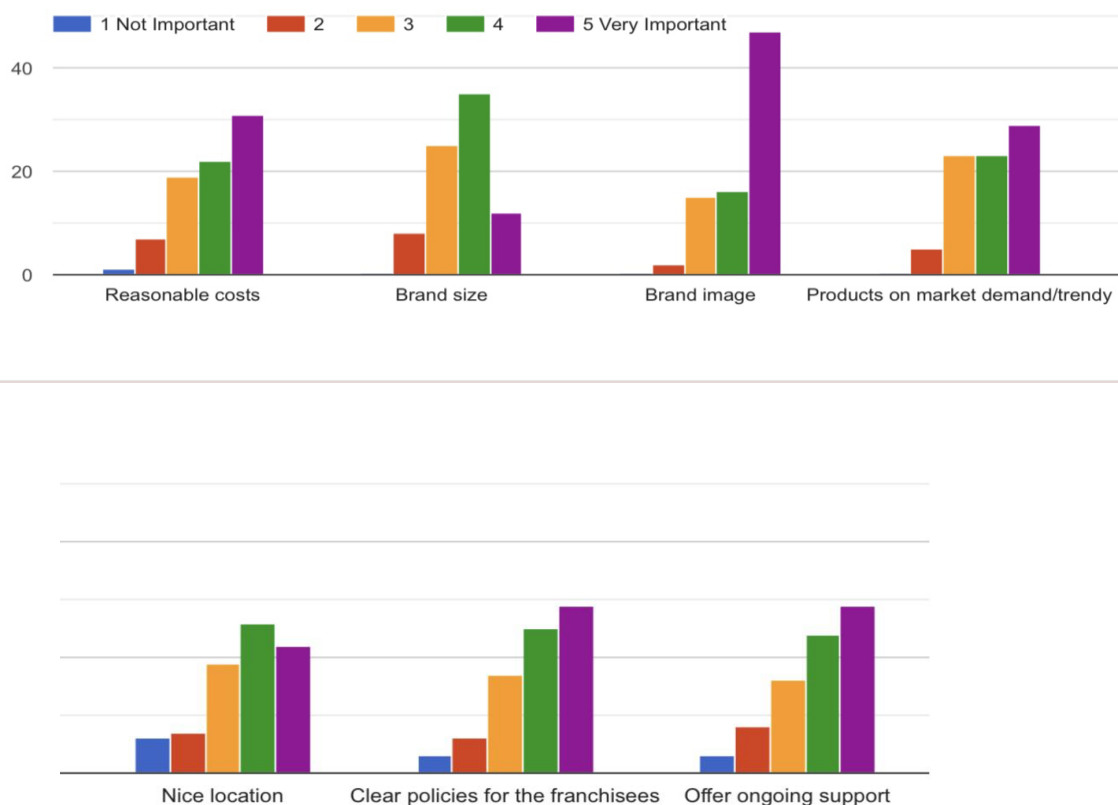
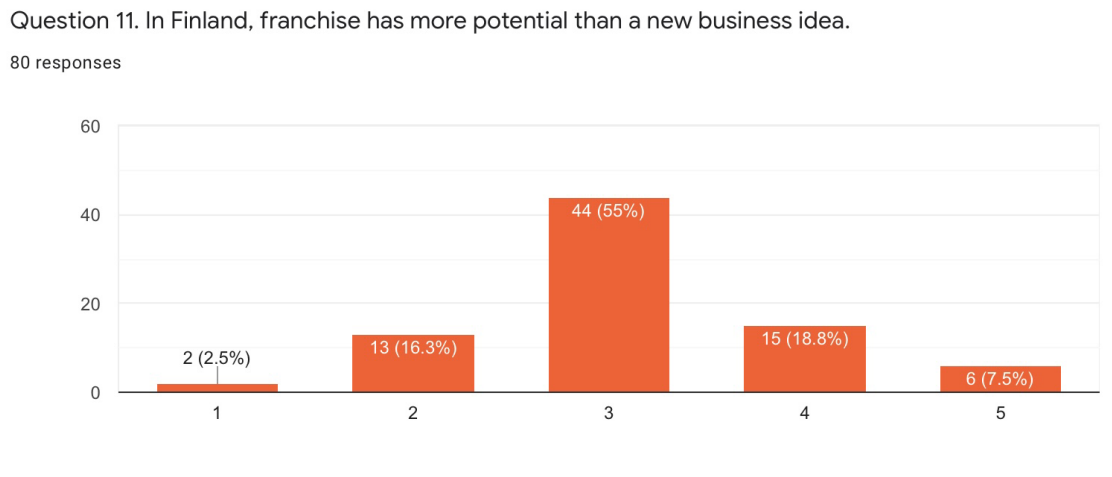


Figure 10. Factors that affect purchasing a franchise brand decision-making

Concerning the open question about franchising's downside, the answers were alike with the available information from chapter 4, page 29 and 30 of this research. A majority of business students reflected that there are plentiful regulations to follow within a franchise. All the stores will be negatively affected if one has a bad reputation. Moreover, as a fresh graduate, the limitation in creativity and the franchisor control in product and business model development was considerably mattered to them. Last but not least, one of the

barricades was the estimated expenses to buy and maintain a franchise and the profit shared to the mother company.

In conclusion, question 11 brought up the central question of this research that whether franchising is a more potent option for business students than a new business concept. The answer scale was 1 to 5 as Totally Disagree to Totally Agree. Among the total 80



respondents, 6 (7.5%) of them Totally Agreed with the statement, 15 people (18.8%) just Agreed, while only 2 respondents (2.5%) choose Totally Disagree, besides 13 (16.3%) preferred Partly Disagree – scale 2. Exceptionally, 55 percentage of the replies was Neutral – scale 3.

Figure 11. Franchise’s potential versus a new business concept

In the last question used for those above clarification responses, respondents had a chance to identify their reasons. One respondent commented that he/she assumes that it is equal because the Finnish government has invested heavily in entrepreneurs and start-ups. On the other hand, franchises can be very profitable if the operation is correct but has had many failures in the past. This failure is because of the lack of recognition of international brands from the Finns. However, he or she may not know that only 25% of franchise brands in Finland are international. Therefore, using those failures as evidence for the assumption that franchising does not have much potential is not inconclusive. On the other hand, a statement out that Finland has certain recognizable brands that remarkably shape customer buying behaviour, making it easier for businesses to franchise rather than enter the market being a completely new player. The most common explanation was that they do not have enough information and knowledge to explain it in detail.

8 IMPLICATIONS OF RESEARCH

This chapter represented the thesis's implications and the implication of franchising from business perspective.

8.1 Research implications

The studies carried out descriptive and explanatory Finland naturally and technically. The beginning goals of this study were to produce updated information and knowledge regarding franchising in Finland, which was not contained in many available sources out there. The chosen methodology method was the quantitative method. Hence, the results were generalized. The advantages and disadvantages of franchising and the study scope were presented from both franchisees and franchisors and entity point of view. The basic idea of franchising theories in the theoretical framework chapter came from Tuunanen's research on the same field in 2005. It was based on the multi-level franchising's framework of Stanworth and Curran in 1999.

The mixture and development of the study with secondary data and primary data have made more updated results, especially COVID-19 affection, and prediction. According to Tuunanen, the sampling has been based on commercial and accessible franchise record in any franchisor studies. That leads to the division of not mention any specific franchising brand or system of the author. In the case of low response rate for the survey, the reasons were analyzed in the Survey chapter as a consequence of language barriers and the author's accessible ability to larger communities.

The limitations and conscious choices of this study that could be used to develop more comprehensive research in the future shall be summarized and represented in the following chapter. Generally, the study did not focus on any specific franchise system because it did not carry out any case study. Hence, the results might be philosophized and relied too much on secondary data.

8.2 Implications of franchising format

Franchising is a form of marketing and distribution that allows another person or a group to use the right to run a business rather than just the owner. The first idea of franchising format was appeared in the 1850s by Isaac Singer. Since then, it has developed promptly and globally in many product types, from ATMs to ice cream. Since each franchise unit is self-financed, it helps the franchisor expand his/her brand by entering any local market and the entrepreneurial attributes that the franchisor could hardly or never do by himself or herself (Singer, 1850s). From the franchisee side, franchising concept shortens the learning curve when it comes to starting a new business. They can access and experience the franchisor business model and producing system, indeed with finance and labour exchange (Franchise Direct, 2020).

Franchising brings a win-win business arrangement for both involved parties (Huang 2004, 157). Franchising, the business minimized the transaction costs to the lowest level and also reduced time, energy, human resources to start a business (Ronald C., 1973). Additionally, it is a clear-headed and costless option regarding employee motivation issues and the ineffectiveness of production (Brinkley and Dark, 1978). Franchising motivates the franchisee to work hard and giving franchisor a precocious chance to expand their brand (Rubin, 1978). However, unqualified franchisees or their mistakes can damage the brand image and the other store reputation (Tikoo 1996).

The development of the franchising concept in America, Europe, Asia, Africa, and other parts of the world have proved its potential and high success rate. To sum up, franchising is imperfect but it brings numerous benefits for both franchisees and franchisors. The weaknesses and predicted issues should be put into consideration to ensure a higher success rate.

9 EVALUATION AND CONCLUSION

9.1 Evaluation during the thesis process

The study fulfilled all researched goals mentioned from the beginning that provide Finland franchise industry summaries and understand the business student's plan. The quantitative method research was used in this study to collect and analyze data and survey the target audiences. The thesis process provided enough evidence to suggest several potential franchising fields, hopefully, beneficial to business students' future careers. Additionally, the study findings were relevant to the thesis's aims and the theoretical framework chapter. Also, the survey result and analysis showed a specific thought of numerous near graduated students to the study topic. After writing this thesis, the questions of purchasing a franchise process in Finland has remained. However, this is not one of the issues which need to solve within this study.

9.2 Limitations and recommendations for further research

Even though this study has provided numerous contributions for theoretical framework concerns and practical implications regarding franchising corporation in Finland's basis overview and increasing business student knowledge about this field, the limitations are still existing. Those limitations could be used to help other researchers for their further research.

In the theoretical chapter, franchising theories were applied into three groups which should be four. The author did not mention Property rights theory. Besides that, plenty of theories suggested were written from the 19th century, which is out-of-date and generalized.

Speaking about methodology limitations, the author only used a survey which concerns as a tool to collect primary data. No interview was completed on entrepreneurs or franchisees, or franchisors. Many respondents were still in school, so it was challenging for them to take the survey seriously. Moreover, according to Statistics Finland, around 31,700 Bachelor degrees were completed in Finland only in 2019 (Statistic Finland, 2020). However, only 80 respondents replied to the survey, which can not represent all the student's opinions.

Finally, one of the limitations is language barriers. The survey was conducted in English, which is not the author's mother language and may not of the respondents as well. They might not fully understand the questions and express their opinion ultimately the way they wish.

For further studies with related topics, those limitations above could suggest more profound and more extensive research. Other studies can gain a more comprehensive result. Also, if it is about purchasing franchise process, the question research can be, for example, how much their budget is, will they be willing to cooperate with other investors, how they will compete with the local brands.

9.3 Conclusion

The conclusion represents a summary of the thesis's aims and central findings. The thesis was implemented to understand Finland's franchising environment and aspirations of graduates for their future careers within this industry.

The study already provided plentiful information to see that Finland's franchise is an active industry in many market sectors with various goods, including fast food, consumer products, and services. Additionally, it also presented the current situation with COVID-19 affected and updated, and information about continuous support from the Finnish government to entrepreneurs according to these difficulties.

The study focused on providing and advising fresh graduated and junior students the question: "How does a franchise work in Finland?". It was answered through the second and the fifth chapter, which analyzed Finland according to PESTEL and SWOT perspective and provided necessary information about the franchising industry in Finland.

For the second question, "Is Finland a good country to own a Franchise in?", the author's answer is affirmative. In another words, Finland is a potential market for franchising. Entrepreneurs can decide which brand they should own by first doing market research to analyze the market demand, evaluating the costs and returns. After that, they should employ a legislation expert to negotiate reasonable terms for their franchising agreement.

As mentioned earlier in this paper, central findings of theoretical and empirical parts could be used as helpful material for further studies. To conclude, Finland is in the internalization evolution, so being open-minded about having a franchise is a step ahead of owning a secure business and having a certain number of loyal customers.

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APPENDIX

Appendix 1. Survey Questionnaire

Warmest greeting to everyone! My name is Diem Phan. I'm currently writing a thesis for my Bachelor degree at Vaasa University of Applied Sciences. I created this survey to support my thesis research about how Franchising works in Finland.

This survey is for business and economics related major students who just graduated or are going to graduate to see their opinion on owning a franchise unit in Finland. The outcomes of this survey will be shown as a representative, not as an individual, and it does not require any personal information, so all respondents stay anonymous.

Franchise is an authorization granted by an existing business to a group or an individual to present their business ideas such as service and product on their behalf. However, the franchise's owner (or the franchisee) can decide on his own without the mother company involvement.

Thank you for participating in this survey, and wishing you all a successful future career ahead!

1. What is your major?

Business Administration

Economics

Entrepreneurs

Finance

Marketing

Other

2. What is the highest degree are/were you taking?

Bachelor's Degree

Master's Degree

Ph.D. or higher

3. Your graduation year

2019

2020

2021

2022

2023

4. How long have you been in Finland?

Less than 3 years

3 - 5 years

6 – 10 years

More than 10 years

I was born here

5. Have you ever owned a franchise unit?

Yes

No

6. Have you ever planned/thought to buy a franchise in the next few years?

Yes

No

Maybe

7. Imagine you are going to buy a franchise (even though your question 6 answer was no), what market sector would it be?

Retail (supermarket, vending machine,...)

Food chain & Restaurant (fast food, coffee shop,...)

Services (accounting, advertising, IT,...)

8. Chose the THREE most important reasons that make you chose to buy a franchise instead of starting a new business

Brand Recognition

Having wholesales price from suppliers

Loyal customer base

Clear market position

Strong assistant system to handle crisis

Well-structured business model

Ability to control stock on hand

Other

9. How important of the following factors would affect your decision making on purchasing a specific franchise brand? (1 Not Important – 5 Very Important)

Reasonable costs

Brand size

Brand image

Products on market demand/trendy

Available training programs

Nice location

Clear policies for the franchisees

Offer ongoing support

Other

10. What are franchising disadvantages in your opinion?

11. In Finland, franchise has more potential than a new business idea.

Totally Agree – Totally Disagree

12. Explain for your answer above

13. OPTIONAL - Do you have any additional information to share about franchising in Finland?

This is it! Thanks so much for your time!

Survey link: https://docs.google.com/forms/d/e/1FAIpQLSdUBrVn-xSW-1G6Di9YxrQ65HSx8V-jd2QmPuy5UINJbaqm4g/viewform?usp=sf_link

