Quasi-Franchising: A New Model for Strategic Business Cooperation

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Abstract Franchising's capacity for reinventing itself is a matter of record. Indeed its continual adaptation to accommodate changing circumstances and market conditions is a major factor in its increasing influence throughout the world. The franchising relationship is based on a prescribed business model developed by the franchisor and carried out under the franchisor's guidance and oversight by franchisees who are granted the right to trade under the franchisor's brand and system. The manner in which the franchise model is implemented is nevertheless capable of infinite variation. It is its capacity for adaptation and innovation which drives its relentless development.

This paper suggests a role for a form of franchising which incorporates only back-of-house elements—the tried, tested and proven systems and procedures which are not directly visible to the customer—and eschews brand and other visible manifestations of a standardised "one-size-fits-all" approach to service provision. It proposes a form of quasi-franchising where brand and related front-of-house features are removed or, at least, significantly reduced. The "franchisee" acquires the right, and the obligation, to use the "franchisor's" back-of-house system while retaining flexibility for entrepreneurial endeavour in building an idiosyncratic, eclectic and individualised business.

Keywords Anti-brand movement • Branding in franchising • Microfranchising • Systems and back of house functions in franchising

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1 Introduction

Franchising's capacity for reinventing itself is a matter of record. Indeed its continual adaptation to accommodate changing circumstances and market conditions is a major factor in its increasing influence throughout the world. The original model—national franchisor and single unit franchisee—has been through many iterations, from the development of sub-franchising and area development arrangements to multi-unit, multi-concept and combination franchising. The franchising relationship is based on a prescribed business model developed by the franchisor and carried out under the franchisor's guidance and oversight by franchisees who are granted the right to trade under the franchisor's brand and using its system. The manner in which the franchise model is implemented is nevertheless capable of infinite variation. Franchising is not a business in itself but is a method of doing business—an innovative and dynamic method of distributing goods and services. It encompasses a wide variety of different practices that are used in different ways, and with varying degrees of sophistication, in virtually all industry sectors. It is an essentially practical strategy which, in the words of Martin Mendelsohn, 'did not derive from one moment of inventiveness by an imaginative individual [but from] the solutions developed by businessmen in response to the problems with which they were confronted in their business operations' (Mendelsohn 2004). It is franchising's capacity for adaptation and innovation which drives its relentless development.

The appeal of franchising for a franchisee lies, in the words of Australia's recent *Opportunity not Opportunism* report, in 'the potential benefits of being able to conduct the business under an established brand name using tested operational systems' (Parliamentary Joint Committee on Corporations and Financial Services 2008). The essence of franchising is, in the words of Stephen Kos, 'to convey the appearance of a single entity largely indistinguishable from a single owner chain comprising branches at separate locations' (Kos 1990). This paper nevertheless proposes a form of franchising which incorporates, to use the language of the Australian report, only the 'tested operational systems' but not the 'established brand name'. The *brand* represents the visible face of franchising—the name, the image, the "look and feel", the servicescape, the standardised customer experience. The *system* represents the unseen face of franchising—the specifications, the processes, policies and procedures, the technology, the training and support structures which are mostly imperceptible to customers but which are nevertheless indispensible drivers of the franchised business. This paper adopts the terminology 'front-of-house' to describe the brand-related aspects and 'back-of-house' to encompass the systems-related aspects underlying the external manifestations of the brand. This paper suggests a role for franchising in which the brand, and its tangible and intangible elements—the "front-of-house" elements—have greatly reduced significance. It suggests a role for a form of franchising which incorporates only, or primarily, the systems underlying the external manifestations of the chain—the "back-of-house elements". It is suggested that in certain market niches this business strategy may be more attractive to consumers through not being associated with the standardised and formulaic uniformity which is the hallmark of business format franchising. This derivation of franchising indeed presents an opportunity for a fuller expression of entrepreneurship sought by many prospective business proprietors but not offered in traditional business format franchising due to the restrictive controls imposed by the obligations associated with maintaining a consistent brand and image.

Given that every definition of franchising ever promulgated or proposed involves the element of brand as an essential ingredient, the terminology of franchising may be inappropriate to describe this concept of franchising without the brand. Nevertheless, given that the term 'back-of-house-ising' is ridiculously inelegant, the term "back-of-house franchising" will be adopted to identify this form of quasi-franchising.

2 Why Franchising Works: The System and the Brand

A convenient summary of the operation of and reasons for business format franchising is set out in Australia's 1997 *Fair Trading Report*:

> Franchising is an increasingly popular form of economic organisation providing an alternative means of expanding an existing business or an alternative means of entering an industry. Under the system, the franchisor, holding property rights over a marketing system, business service or product (identified by a brand name or trademark) enters a contract or agreement with the franchisee and grants, under certain conditions, the right to produce or distribute the franchisor's product or service.
>
> Substantial benefits exist for both franchisees and franchisors under the system. The franchisor derives income from any initial franchising fee and from access to a continuing cash flow through product sales and from licence fees without having to provide additional capital or to directly manage the franchisee. The franchisor gains from access to established business systems, developed products or services, training and business advice, group advertising and lower risk (House of Representatives Standing Committee on Industry, Science and Technology 1997).

The success of franchising is attributable to a number of factors, particularly the brand under which the business is conducted—the front-of-house elements—and the system underlying the external manifestation of the chain—the back-of-house elements. The debate—if indeed there is one—surrounding the importance of the brand versus the system in determining the respective contribution of each to franchising is a matter for after dinner conjecture. Franchising works because it synergistically combines these two key drivers. Determining the respective contributions of each is a sterile debate. But, in a paper that proposes a form of "franchising" which dispenses with the brand aspect—the standardised, public, external link to the consumer—it is necessary to address the contribution of each.

2.1 The Brand

The contemporary brand manager has a ready response to the suggestion of Shakespeare's Juliet that a 'rose by any other name would smell as sweet' (*Romeo and Juliet*) (Act II Scene ii). Trademarks 'encourage the confidence of investors, consumers and those licensed to use them, and accumulate value in an asset recognised by legal and accounting principles'(Terry and Giugni 2009). Brands are an entrenched feature of contemporary business and have a long heritage (Blackett 2004).[1] Since the beginning of commerce, entrepreneurs have sought to distinguish their products from those of competitors, but with the growth of the modern services sector branding has moved beyond the trademarks which simply identify and distinguish products and services to encompass entire consumption experiences. Sophisticated "servicescapes"—described as 'the environment in which the service is assembled and in which the seller and customer interact, combined with tangible commodities that facilitate performance or communication of the service' (Booms and Bitner 1981)—create the environment in which service is delivered. Corporations undertake branding exercises to 'differentiate the company [and] to project the unique personality of the corporation' (Diefenbach 1987). Today the brand 'is the most important and sustainable asset of any organisation [and] should be the central organising principle behind every decision and every action' (Clifton and Simmons 2003). Many companies are primarily engaged in the production and maintenance of brands as opposed to products (Willigan 1992).[2]

This reversal in the prominence of the roles of products and their signifiers has not happened overnight. How and why has branding become about more than the product itself? Scott Bedbury, then Starbucks' Vice President of marketing, stated that 'consumers don't truly believe there's a huge difference between products', which is why brands must 'establish emotional ties with their customers' (Haig 2003). This is a realistic assessment in an age of standardised mass production which necessitates the establishment of other than solely product related points of difference (Klein 2002). The establishment of points of difference from the myriad other business ideas, products and services in the marketplace is what franchising has seized upon, somewhat ironically attempting to replicate an original and unique success story in the search for greater growth and, with it, greater profits.

Branding takes on particular significance in a franchise context. Tangible and intangible elements of the consumption experience—the servicescape—contribute to customers' identification with a franchised brand. The significance of brands in society generally, and franchising in particular, is undoubted, immense and unchallengeable. That branding and franchising are inextricably intertwined is illustrated

[1] Branding is a by-product of the requirement of the mid-thirteenth century Assize of Bread and Ale requiring medieval traders to distinguish their goods by marks to enable the identification of the manufacturers of adulterated goods. The unintended consequence was the promotion of branding. Customers began to select particular bakers and brewers whose product they enjoyed on the basis of their direct experience of the distinguishing mark.

[2] One of the most successful brand merchants in the world, Nike founder Phil Knight, has expressed Nike's philosophy in these terms: "For years we thought of ourselves as a production-oriented company meaning we put all our emphasis on designing and manufacturing the product. But now we understand that the most important thing we do is market the product. We've come around to saying that Nike is a marketing-oriented company, and the product is our most important marketing tool" (Willigan 1992).

by the Interbrand trademark league tables in which franchise brands are prominent (www.interbrand.com). The brand drives franchising, and franchising drives the brand. Although there is no universal definition of franchising, every definition promulgated or proposed anywhere in the world includes the brand as an essential element (Blair and Lafontaine 2005).

2.2 The System

Despite the significance of branding, the single most important development in franchising was the realisation that entire business, operational and management systems could be cloned. The success of franchising is attributable to a number of factors, in particular the brand under which the business is conducted and the system under which the service/product is provided. Franchising in its contemporary business format mode indeed takes its name from the imposition of an entire business, operational and management system on a looser and more limited intellectual property licence. The development of business format franchising is attributable to the quantum leap that entire business systems could be cloned. The McDonald's story is instructive. The extraordinary success of Dick and Mac McDonald's San Bernardino outlet in the early 1950s attracted not only the custom of consumers but also the interest of entrepreneurs keen to share in its success. The original intellectual property licences granted by the McDonald brothers nevertheless did not lead to successful derivative businesses. It was Ray Kroc's realisation that system controls and obligations could be, and needed to be, engrafted onto the brand licence that led to the now legendary success of the chain and set in motion a retail revolution which continues to increase in influence (Love 1995).

Business format franchising is characterised by an ongoing business relationship between franchisor and franchisee which includes the product, service and trademark, as well as the entire business concept itself—a marketing strategy and plan, image, comprehensive operational standards, systems and formats, operating manuals, training, quality control, purchasing leverage, site selection, equipment and supplies and a continuing process of assistance, guidance and supervision. The 'system' is a complex equation which delivers uniformity and replicability. It promotes the reliability and familiarity of franchised goods and services and franchised brands. It encompasses both front-of-house and back-of-house features, both of which are essential in traditional business format franchising. This paper nevertheless suggests that back-of-house elements can be systematised and licensed independently of the brand and the tangible elements of it.

3 Challenges to Brand Sovereignty

The power of a good brand is 'simply staggering' (Murphy 1987) and franchising is a proven strategy for brand owners 'to seek to exploit more widely the equity in these valuable assets' (Blackett 1998). Franchising is, and will inevitably be, associated with the brand—with the "front-of-house" features which identify the outlet as part of a network which incorporates and exploits a range of synergistic benefits. Given the immense and undoubted significance of brands, what possible reason could there be for exploiting a form of "franchising" which does not incorporate, as an essential, entrenched and inviolate element, the brand and image? While branding is a massively significant driver of contemporary business, and of course of franchising, it is nevertheless not an exclusive or inevitable ingredient of business operation. Branding of particular products and services may be inevitable despite the rise of generic branding but branding of businesses, whether in the narrow sense of the name by which the business is known or the wider image and standards associated with it, is not essential.

3.1 The Brand and the Start Up Business

The brand is a characteristic which matures with time. The success of McDonald's original San Bernardino hamburger outlet in the early 1950s is a matter of record (Love 1995). But, in its early expansion was it the brand or the system which was influential? It may in fact have been neither: the original licensees displayed a cavalier disregard for both the brand and the rudimentary system which supported it (Love 1995). The McDonald brothers' breakthrough was nevertheless in relation to their back-of-house operations, not their front-of-house branding. McDonald's trademark attorney would no doubt have pointed out the problems with protecting a common family name. Similar advice in relation to geographic and generic names was no doubt given to Colonel Sanders in relation to Kentucky Fried Chicken. The point is that, at least in the early days of franchising, it is rarely the brand which is the most important ingredient. The concept, the recipes, the specifications, the system, the management and operational formats are the critical features. While some of these aspects may form part of the brand experience it is nevertheless possible to distinguish between back-of-house and front-of-house functions. Brands cannot exist in a vacuum—they must be attached to something, be it a product or a service—at least at the early stages of their development. The normal place for a start-up to begin developing awareness of their offerings is through product or service marketing. As noted by Lee Hower, 'start-up brands are by definition built upon the success and attributes of the products or services they provide. For start-ups, brands are less intentionally "built" than they are "derived" from successful products' (Hower 2007).

3.2 The Anti-brand Movement

Although the brand is subsidiary to the system in business start-ups, there are more fundamental reasons organisations may choose not to embrace branding apparatus. The unrestrained use of branding, which has been so effective in tapping into our souls and marrying our innermost desires to tangible embodiments of a brand's image in the form of phenomena for sale, may be on the wane. In the words of Saatchi and Saatchi CEO Kevin Roberts, ‘brands are running out of juice’ (Roberts 2004). Canning has suggested that

> [t]he world is changing, and companies have to change along with it. Groups that have spent decades building up equity in their brands are suddenly discovering that the solid foundations they thought they were creating – foundations that would anchor their businesses into the future through the good times and the bad – are now at the mercy of the combined forces of rapidly changing technology and consumer empowerment caused by the upsurge of social networks (Canning 2010).[3]

A growing resistance to transnational brands and corporate globalisation (Hollenbeck and Zinkhan 2006), documented in the literature and predicted by Naomi Klein (Klein 2002) in *No Logo*, has been played out on the big stage with anti-corporate and anti-brand sentiments being expressed in demonstrations against multinationals and their perceived ever growing power in which prominent international franchise systems are frequently the target. Klein points out that a franchise is ‘technically owned by the franchisee, even if every detail of the outlet—from the sign that hangs out front to the precise temperature of the coffee—is controlled by a head office hundreds or even thousands of miles away’ (Klein 2002). This reality may contribute to some consumers’ growing sense of estrangement from branded franchise products and services. The phenomenon of globalised standardisation—termed the “McDonaldisation of society” by George Ritzer (Ritzer 2011)—perhaps not surprisingly co-opts the name of franchising’s most prominent international star as its descriptor. Although concerns as to the ‘potential excesses of overzealous franchising—particularly for the character and diversity of Australian cities and towns’ and for the ‘high streets in the UK [which] are virtually indistinguishable insofar as they are littered with franchises’ (Bruce 2012)—are clearly overstated, such sentiments are nevertheless becoming more commonly vented.

3.3 Generation Y and Brand Indifference

The anti-brand movement identified by Klein, while not signalling the demise of branding as many of its more extreme disciples may have liked, has nevertheless

[3] There are many instances of brands with a soft human face which have touched hearts around the world being exposed for engaging in practices and activities anathema to the type of image built up through the branding exercise, and thus straining or even breaking the trust once established. As uncompromisingly expressed by Klein: “The travels of Nike sneakers have been traced back to the abusive sweatshops of Vietnam, Barbie’s little outfits back to the child labourers of Sumatra, Starbucks’ lattes to the sun-scorched coffee fields of Guatemala, and Shell’s oil back to the polluted and impoverished villages of the Niger Delta” (Klein 2002). Beyonce and Lady Gaga are rarely cited in academic papers but their words resonate in this context: “Trust is like a mirror, you can fix it if its broke, but you can still see the crack in that mother fucker’s reflection”. Beyonce and Lady Gaga, lyrics from the song “Telephone”.

resonated with modern consumers. Consumers have at the same time become aware of many of the techniques used by brands to infiltrate culture and penetrate their innermost spaces with rationalised techniques for product and service provision. George Gilder, who predated Klein, may have been more realistic in his modest assessment that 'the medium will change from a mass-produced and mass consumed commodity to an endless feast of niches and specialties... A new age of individualism is coming and it will bring an eruption of culture unprecedented in human history' (Gilder 1990).[4] Under the influence of Generation Y, and with more widespread awareness of branding techniques, traditional standardised transnational brands are not always the holy grail of consumption experiences. With the largest consumer group being Gen X and soon Gen Y, an important trait of both generational groups may be impacting upon the significance of the idea of the brand, at least in a franchising context. That trait is individuality, a trait which is hard to express as a franchisee in a branded franchise system where virtually all of the operations of the business are dictated by a franchisor eager to develop and protect its brand. That trait also makes it difficult to express one's individuality if consuming a franchised brand's products or services. This demographic will soon constitute the largest group of franchisees in Australia (Franchising Australia Survey 2010). This trait therefore impacts upon franchising from two angles: from the consumer side (a consumer who places a premium on individuality of consumption may prefer dining at an unbranded outlet rather than at an outlet of a branded chain) and from the business entrepreneur side (an opportunity for expressing individuality while benefiting from management and operational systems which facilitate this).

3.4 *The Standardised Chain and the Brand*

It follows that the romance of the brand is not compelling for all consumers, particularly in certain industry sectors. Commenting recently on Gloria Jean's Coffees—one of the fastest growing franchise systems in Australia with about 500 outlets in Australia and almost 1000 coffee houses in 40 countries—Toby Smith qualified his acknowledgment of Gloria Jean's impressive growth with the comment that

> [A] chain is a chain is a chain. And they are a franchise chain... The problem with a chain, its like a formula. Its generic. They all look the same. It's just a mish-mash of Starbucks, Costa Coffee and everyone else. It doesn't make an impact on the customer (Carruthers 2010).

[4] G Gilder, *Life After Television* cited in Klein 2002. As noted by Canning "New Age marketers and ad agencies can no longer afford to build pyramids that will withstand the onslaught of change. Now they must be kites, ready to go where the winds of social change take them" (Canning 2010).

Given that Toby Smith is a competitor, and the founder and proprietor of the boutique Toby's Estate café outlets, one may be sceptical of his criticism. It is nevertheless true that there are certain industry sectors, particularly in the hospitality industry, in which association with a national or international brand may not only not be an advantage but may actually constitute a disadvantage. While many agree with Howard Shultz's statement that 'it's the romance of the coffee experience, the feeling of warmth and community people get in Starbuck's stores' (Klein 2002) which draw customers to it, there is a growing number of people for whom the standardised brand experience is not optimal. Indeed, Toby Smith's comments may be more widely representative of a growing category of consumers who prefer their coffee, their food and their beer in an original, eclectic and idiosyncratic neighbourhood outlet. In some sectors—café, restaurant and pub are obvious examples—standardised branding can be a disadvantage. Lashley and Lincoln observe 'signs of consumer resistance to brands beyond a certain size' (Lashley and Lincoln 2000). They give, as an example, Scruffy Murphy's—a pub concept which after a rapid growth in the number of pub units suffered an 'equally rapid decline of the brand'. Australian cultural norms may be particularly influential in this area. Professor Geoffrey Garrett, Chief Executive of the US Studies Centre at the University of Sydney, has opined that

> Americans view chains as comforting. No matter where you are, Starbucks will always be there and taste the same. Australians prefer one-offs that are a bit quirkier. The fact that every shop is different is a fun part of the challenge. The Down Under demise of Krispy Kreme says more about our attitude to chains than our attitudes to the US' (Urban 2010).[5]

While pest control operators might benefit from a nationally recognised name, a bar, restaurant or café proprietor might not.

4 Quasi-Franchising and the Brand Continuum

Given the diminished significance of the brand in the contexts noted above it is possible to develop a "branding continuum" with traditional business format franchising at one extreme, and "back-of-house franchising" which eschews brand and its servicescape accoutrements at the other. Between these extremes there is a range of possibilities which challenge, to a greater or lesser extent, brand sovereignty.

[5] Lethlean comments that "Starbucks hasn't worked in Australia the way it has in the rest of the world? Who's surprised? With such a strong Italian coffee culture in nearly all our cities and towns, backed up by a rapidly emerging—so called third wave—specialist roaster-café scene it gives me a little comfort to know not everybody confuses free wi-fi with a quality coffee experience" (Lethlean 2010).

4.1 Back-of-House Franchising

The concept of replicating back-of-house functions without brand identification is of course not uncommon in business. Systematising back-of-house functions is a key factor in successful business operation and a necessary pre-requisite for replication of the business. Systems are an inevitable ingredient not only of business format franchising but all viable business operations. The company owned and managed chain operating under a brand—in effect a company owed franchise network—will of course have developed and documented a range of system issues equivalent to that of a franchise chain, including technology, purchasing arrangements, training, bookkeeping, and a range of other management services. However, even a company owned group which operates a series of individual businesses rather than under a network brand will improve profitability and management through applying back-of-house systems. Such arrangements are also common in various forms of groups of independent proprietors—from informal cooperative arrangements to more structured groups formed to obtain the benefits of proven systematised and efficient management systems. The rise of the 'celebrity chef' has been a catalyst for innovative business structures. While some, such as Gordon Ramsay and Jamie Oliver, operate models akin to franchising with consistent branding, an alternative model is the retention of idiosyncratic servicescape and branding at multiple sites but with centralised back of house functions. Prominent Australian chef George Calombaris comments 'I want to cook; I don't want to run the whole business. I don't know how to do that' (Cornell 2012). Calombaris acknowledges that 'if he was going to achieve what he wanted to on the food front, he needed business minds who could run balance sheets with the same skill' (Cornell 2012).

Company owned and managed networks, albeit unbranded, apply back-of-house technologies. Pub groups, where a company acquires a portfolio of hotels and deliberately retains the individuality and idiosyncracies of the pubs in the group, is an example. The business model is simple: the pub group acquires hotels where it believes the profits can increase under new management. Back-of-house functions are provided centrally for the individual units within the group (Reilly 2010). The individual pub is a company owned and managed outlet rather than a franchised outlet but the systems, management expertise and economies of scale applied to the individual units equate to those that would be found in a franchised network. Franchising the back-of-house functions could be particularly attractive in an environment where stringent banking conditions constrain growth through the purchase of further outlets. The hands-on proprietorship of the "back-of-house franchisee" would be expected to lead to it outperforming a manager in similar circumstances based on experience in conversion franchising (Giles et al. 2009). The back-of-house management systems provide the aspiring business proprietor with the opportunity to establish and operate a business with greater confidence, efficiency, and likelihood of success than that offered by solely independent proprietorship.

Associations to facilitate back-of-house activities are not uncommon and are provided to a greater or lesser extent by various forms of cooperation including trade associations and buying groups. A recent item from the Sydney Morning Herald provides an example of informal cooperation to achieve back-of-house efficiencies while retaining individual branding, image, and front-of-house architecture:

> In one of Australia's wealthiest suburbs its registered clubs are struggling under state taxes, shifting demographics and ever growing operational cost to survive and stay in the black. The solution is to form an alliance to pool resources and cut costs as 'together the group can create economies of scale by working together' through pooling casual labour, sharing courtesy buses, advertising as a group, bulk buying, and using the same cleaners, tradespeople, accountants and auditors. The strategy is not amalgamation, and membership will not be pooled. The plan being to keep all clubs viable and operating independently (Munro 2010).

In some cases relatively informal arrangements can mature into structured franchise systems. The progression from buying group, to marketing group with front-of-house branding and standards, to a franchise system with a complete repertoire of back-of-house and front-of-house architecture is not uncommon.[6]

The essence of 'back-of-house franchising' is simply franchising without the brand and associated trade dress, image and external indicia that symbolise membership of a standardised chain. It is a form of B2B franchising under which the business proprietor benefits from a range of back-of-house systems which remove many of the challenges in establishing a business—and without which business entry is difficult if not impossible—while retaining discretion in relation to front-of-house features. The underlying arrangements are imperceptible to consumers. Back-of-house franchising provides the opportunity for 'franchisees' to be able to express their entrepreneurial individuality, the scope for which is limited in a traditional business format franchise. This option may be particularly attractive to Generation Y who are believed to be more entrepreneurial than previous generations (Milman 2010) but who want to establish their own businesses which express their own individuality. McCrindle notes that Generation Y need a "trusted guide" which a back-of-house franchisor can provide (McCrindle).

The concept of providing back-of-house management services, economies of scale, and technology is not new. It operates in a range of contexts to enable the individual proprietor to focus on core business. Trade associations and outsourcing arrangements operate in this space. Outsourcing provides the mechanism for the contracting out of a business function to an external service provider. Business proprietors may utilise a range of outsourcers for the provision of a range of business services. Although back-of-house franchising may be thought of as a sophisticated form of outsourcing under which the back-of-house franchisor provides a complete range of business services, this analogy is limiting. A back-of-house franchisor

[6] Autobarn, a prominent Australian after-market automotive parts is a franchise system owned by the original members of the buying group. Mitre 10, a prominent hardware chain is a cooperative owned by its members and, apart from ownership, indistinguishable from a franchise system.

provides not only the complete package of back-of-house services, but also an integrated back-of-house system which outsourcing does not pretend to offer. The concept of B2B back-of-house services being provided in a systematised, structured and disciplined manner by a back-of-house service provider transcends traditional notions of outsourcing.

As with traditional franchising, back-of-house franchising is a practical strategy for which there is no one model. It is driven by a market for back-of-house services to enable an independent business entrepreneur to build a business free of the confines of brand and image but with the benefit of key back-of-house support services without which entirely independent business operation is difficult and risky. In its most derivative form the back-of-house service provider would secure premises and furnish them, or facilitate the licensed proprietor's eclectic furnishing of them. In its least derivative form, the provider would provide a range of back-of-house services commensurate with those in a traditional franchised operation. Given that there is no brand, the only image and standards are those of cleanliness, service and "appropriateness" for the particular concept and location. Back-of-house franchising is a deliberate top-down franchise model for providing back-of-house services independently of any brand and where the eclectic, idiosyncratic and individual appearance of the premises is an essential part of the concept. Under this model the services and the controls will vary with the particular concept. Back-of-house franchising provides the tools for an efficient and structured business operation through the licensing of business systems to empower local operators.

Despite the significance of the "system" in franchising, the franchisor's goodwill essentially resides in the brand. Trademarks 'differentiate an enterprise's goods or services from those of its competitors, indicate the source or origin of the goods or services, represent and secure the goodwill of the enterprise, serve as a symbol of the value or quality of the goods or services, and build brand loyalty' (Terry and Giugni 2009). The back-of-house "franchisor" without brand architecture of course faces a challenge in marketing and maintaining relationships simply on the basis of goodwill in back-of-house systems. This challenge can nevertheless be exaggerated. A business format franchisor provides an extensive range of back-of-house services which are no less significant to a back-of-house "franchisee" than to a typical business format franchisee. As in traditional business format franchising the franchisor's income stream is both driven by and dependent upon franchisee performance. A continuing back-of-house relationship is based on a contract between the parties but legal realities must be based on commercial viability and commensurate value. Because back-of-house franchising is based exclusively on back-of-house services the nature, range and quality of such services may even exceed that of the traditional model to attract and retain licensees. Although the nature, extent and quality of the back-of-house services must be commensurate with the value proposition in order to sustain an effective and continuing back-of-house relationship, the back-of-house contract supports the underlying arrangement. As with traditional business format franchising, ownership of the business premises and control over the look and feel of the business are key factors contributing to the integrity of a continuing back-of-house franchising relationship. A back-of-house "franchisee" who, in breach of contract, terminates a back-of-house relationship relinquishes occupancy rights and faces standard contractual consequences.

4.2 Branded Back-of-House Franchising

In a more conservative iteration of the back-of-house model, an "umbrella" brand may be employed by the back-of-house franchisor to signify the outlet is a member of the particular back-of-house system and in which goodwill accrues. Outlets would be identified by a generic system name but back-of-house franchisees would retain discretion in relation to servicescape aspects. The back-of-house franchisor would prescribe system standards but not branding standards and servicescape architecture.

Examples of innovative practices falling short of traditional business format franchising are increasingly being adopted. Modern developments in medical practice have resulted in private medical practice being a business endeavour as well as a clinical endeavour. A range of companies are now providers of practice management services to doctors. While it is usual for the medical practice to retain its own name there is a strong element of standardisation across a range of diagnostic and associated administrative services and in the "look and feel" of the premises. The "umbrella" brand of the practice management provider is nevertheless usually prominent. Similar arrangements exist in relation to certain hospitality groups. Hospitality groups such as "Leading Hotels of the World" (http://corp.lhw.com/) provide an umbrella brand and offer 'a variety of membership options to hotels starting from the planning and development stages, including brand licensing, technical and training consultation, revenue optimisation, sales, marketing and other services'. Such groups operate on membership which is restricted to hotels which can meet basic standards of service. An umbrella brand exists—and is prominent for marketing purposes—but individual hotels within the group retain their individuality subject to prescribed image and standards.

4.3 Customised Business Format Franchising

An iteration of the franchise model, owing more to traditional business format franchising than back-of-house franchising, is a more personalised form of business format franchising allowing, to some extent, franchisee flexibility in the provision of system services. While academics continue to debate whether franchisees are entrepreneurs (Torikka 2011), franchisors face the challenge of how to 'balance franchisee aspirations for entrepreneurial autonomy with the franchisor's efforts to enforce compliance to operational standards' (Davies et al. 2009). Pizanti and Lerner emphasise 'the need for a balance between control and autonomy, claiming that excessive levels of control or of autonomy can be counter-productive and negative' (Pizanti and Lerner 2003). Empirical research has demonstrated that franchisee commitment to core brand standards can increase in circumstances where franchisees are allowed the freedom to control other, more peripheral or non-core aspects of the business.

The uniformity versus customisation debate is most usually played out in the context of international business format franchising expansion where compromises to accommodate local conditions are usually necessary. Increasingly however, adaptation to local customer needs is finding application in domestic contexts. There is increasing recognition that, even in traditional business format franchising, while the core brand components such as brand name, logo and essential product features should be as consistent as possible across the network, peripheral attributes can be modified. Streed and Cliquet accept that '[s]ervice personalisation, and more specifically customised personalisation, presents... an effective opportunity for chains to adapt to local customer needs without jeopardizing brand integrity' (Streed and Cliquet 2008). An extreme form of 'customised' or 'personalised' business format franchising is that adopted by the "Great Harvest" franchise system documented by Streed and Cliquet (Streed and Cliquet 2008). The founder of the 200 outlet bakery system describes the concept as a "freedom franchise" because of the 'extreme freedom' given to franchisees. Franchisees trade under the Great Harvest banner but the franchisor 'welcomes and rewards entrepreneurial spirit', and although 'know how such as recipes and management processes are provided each store [can] build its own identity for a better fit in the local business landscape' (Streed and Cliquet 2008). The Great Harvest website states:

> Most franchises... require their owners to do things their way, with little or no variation. Cookie cutter-style. That's because the franchisor is trying to build a national brand, the foundation of which is consistency. The problem with this sort of franchise, if you're an entrepreneur-type, is that they aren't very much fun. All the good stuff about opening your own business – figuring out what you want to offer and what color the walls will be – aren't your decisions to make. They've already been made.
>
> At the other end of things is starting up and running your own Mom and Pop shop. There you have all the freedom in the world to create this thing just the way you want, but you're flying solo, with no one else to lean on. That's why so many start-ups fail.
>
> We provide you with middle ground between the advantages of a traditional franchise and the fun of a let's-do-it-all-ourselves start-up. Our philosophy is simple. Let's create unique neighborhood bakeries that are a reflection of the Great Harvest brand and the bakery owner. We are no cookie cutter franchise. We are a freedom-based franchise that encourages excellence and individuality, not to mention a spirit of fun and generosity.

The franchising literature's recognition of franchisee personalisation is nevertheless limited by the sovereignty of the brand architecture and servicescape. While brand integrity is critical in business format franchising, the extent to which franchisors can tolerate departure from system standards without concept infringement is a developing issue driven by practical commercial considerations. This paper suggests that franchise systems will have to allow franchisees the ability to localise beyond service personalisation and yet retain control over key aspects of operations. The determination of core and non-core aspects will be an interesting challenge.

5 Conclusion

Two decades ago William Davidow and Michael Malone in *The Virtual Corporation* (1992) identified driving forces that were transforming the marketplace and corporations. Contemporary commercial models needed to become adaptable, flexible and responsive. Franchising is not immune to such broader trends. While independence and individualism have traditionally been seen as the enemies of franchising (Terry 2011) the paradigm is shifting. There are increasing commercial pressures to allow greater franchisee autonomy. This can be achieved through a franchisor allowing franchisees operating under the system's brand to customise or personalise peripheral if not core aspects of the system (Streed and Cliquet 2008; Kaufmann and Eroglu 1999) or, in the *back-of-house* iteration suggested in this paper, by renouncing front-of-house elements including the system name and brand. Recent research suggests that '"pockets" of freedom may foster entrepreneurial activities by franchisees that in turn, might enhance the performance not only of the individual owners, but that of the entire franchise system [and that] allowing franchisees such freedoms strategically may offer a distinct competitive advantage to franchisors who capitalise on the benefits of such arrangements' (Grunhagen et al. 2012). This may be through allowing operational autonomy with respect to HR policies (Grunhagen et al. 2012) or through innovative service personalisation strategies (Streed and Cliquet 2011).

Branding is, and will inevitably remain, an integral and non-negotiable characteristic of business format franchising. There are however market niches in which outlets may be more attractive to consumers because they are not associated with the standardised and formulaic uniformity and the generic replicability which are the hallmarks of business format franchising. For most consumers this is not because they are consciously part of an anti-brand movement but simply because they value the idiosyncratic nature of customised rather than standardised ambience. The proprietors of such establishments would nevertheless benefit from back-of-house systems and support in operational and managerial aspects of running their businesses. Service providers of course exist to provide discrete services to independent business proprietors through outsourcing arrangements but the packaging of entire back-of-house services in a coherent and coordinated manner is a more sophisticated business model.

While franchising accommodates intrapreneurial franchisees prepared to work within the system, the opportunities for entrepreneurial franchisees who require an outlet for their individuality beyond the confines of the brand and system are of course limited. At the big end of town a national master franchisee acquiring the rights to sub-franchise an overseas system will inevitably have some flexibility in "customising" the system for local conditions but for the typical franchisee "standardisation" is a necessary reality. It would nevertheless be foolish to suggest that this is an immutable truth. Franchising's continual adaptation to accommodate changing circumstances is a major factor in its increasing influence. Under the influence of Gen X and Gen Y for whom the trait of individuality is apparently much stronger than for previous generations, customisation reflecting franchisee individuality may make inroads into the standardisation which is today the main characteristic of franchising. Back-of-house franchising provides a strategy which is attractive to consumers as well as to aspiring entrepreneurs for whom business entry may be intimidating if not practicably impossible. The "franchisee" acquires the right, and the obligation, to use the "franchisor's" back-of-house system but the front-of-house architecture is not prescribed, or at least not in any detail.

Given that every definition of franchising promulgated or proposed includes a 'brand' element,[7] it is inappropriate to use the term franchising to identify this most extreme iteration of business format franchising. James Whitcombe Riley is credited with the proposition that 'if it walks like a duck and swims like a duck and quacks like a duck, it is a duck'. Without the brand element, this creature is not a franchise. As Commander Spock may have said to Captain Kirk, "It's franchising, Captain, but not franchising as we know it".[8] This no-franchising form of franchising is nevertheless likely to assume increased prominence. For effective business operation—albeit at a more modest level than global domination—the back-of-house elements are essential but the brand and associated front-of-house elements aspects are not inevitable.

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[7] Because "back-of-house franchising" involves no brand element it falls outside the scope of the definition of franchising in every regulated sector, but it is nevertheless a business venture which may be caught by the prior disclosure provisions of business opportunities regulation such as the US Federal Trade Commission *Disclosure Requirements and Prohibitions Concerning Business Opportunities* (2007).

[8] From the Star Trek TV series which debuted in 1966. The original quote was of course "It's life Captain, but not life as we know it".

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