Franchising and the Acceleration of the Food Service Sector in Brazil: Opportunities for the Food Industry?

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Abstract. This paper measures the economic relevance of food service in Brazil by showing the contribution of franchising to food out-of-home consumption. We analysed three different data sources, including data from the ABIA (Food Industry Brazilian Association) and ABF (Franchising Brazilian Association) as well as a longitudinal data set on Brazilian franchises from 1994 through 2007. We observed that 10.0% of a Brazilian's food budget is spent at franchised food chains. Based on this observation, we discuss theoretical and managerial implications of franchising as an alternative marketing channel for food industry. We argue that are risks viewing franchising exclusively as a distribution channel rather than as a business format.

Keywords: franchises, food chains, marketing channels

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1. Introduction

In the 1980s, the notion of retail power made little sense, as retailers were forced to accept their industry's selling policy. However, in the 1990s, history began to be rewritten. From then on, we have observed a change in the power of influence on the coordination of marketing channels, which has shifted from goods producers (i.e., industry) to distributors (in particular, large retail chains). Indeed, the transfer of power from industry to retail is a global tendency motivated by the availability of information on consumer behaviour. The retail sector benefits from privileged information on consumer habits in order to coordinate the productive chains that supply it. Another decisive factor in the emergence of this power inversion was the horizontal concentration of the retail sector through acquisition and merger processes. This scale profit enhanced the capacity of retailers to bargain with suppliers, thereby allowing large retail chains to impose their conditions on suppliers and, particularly, on industry.

Obviously, industry sector could not survive without large retail chains; losing ties with such chains in fact could result in a market share loss of about 10.0%. Instead, industry is looking for alternative marketing channels, such as food service. Around the word, food out-of-home consumption sector is a global phenomenon, driven, mostly by franchising. The evaluation of the relevance of this alternative marketing channel is one of the goals of this paper. Indeed, we find that Brazilians already expend 10.0% of their food budget on food franchise chains.

Starting from this observation, this paper aims to better understand the shift in power from industry to retail with respect to the coordination of marketing channels by highlighting how industry has searched for alternative channels, particularly with regards to food franchising, the fundamental assumption of the Brazilian food service.

The analysis is based on a comparison of information from different sources of macro data published by both the ABIA (Food Industry Brazilian Association) and the ABF (Franchising Brazilian Association). We also consider a longitudinal data set on the Brazilian franchise system. The panel analysis uses data published in yearbooks published by PEGN[2] from 1994 to 1999 and ABF from 2000 to 2007.

The paper is structured as follows. Section 2 discusses the power dynamics between industry and retail sectors with respect to the coordination of food marketing channel. The third section measures Brazilian food service and food franchising, while Section 4 discusses the opportunities and challenges that this alternative marketing channel poses to the industrial sector. The last section discusses the managerial and theoretical implications of the practice of franchising as an alternate commercialisation channel to the food industry.

2. The power dynamics between industry and retail with respect to food marketing channels

In line with global tendencies, Brazilian retail sector experienced a merging process in the 1990s. This movement was led by international firms, including the groups Carrefour, Casino, and Wal-Mart. In only 1999, 12 mergers were registered in Brazil, in which 5 included the participation of foreign companies. As a result, the participation of the five largest operating retail chains in the Brazilian market increased considerably in less than a decade from 27.0% at the end of the 1990s to 39.0% in 2004 (Bruns 2000).

It is natural to assume that this process of retail concentration should have increased the scale and bargaining power of retail with respect to their suppliers. Benefiting from this

[2] In Portuguese, these are initial letters of "Pequenas Empresas Grandes Negócios". This loosely translates to "Small Industries Great Businesses."

situation, retail chains in Brazil started to establish contractual practices opposed by industry. Besides price, punctuality in delivery and product quality, these are the requirements for store use with respect to product release, promotions linkage, special date sales, and even the use of privileged product placement in the store.

Industry sector had two major complaints. First, according to these new practices, retailers determine the remuneration reduction paid by industry to its suppliers. In order to compensate the discounts granted to large retailers chains, industry has thus been forced to reduce the price paid to producers. Second, industry claims that the practices of retail also induce cuts in industry marketing budgets. In the US, for instance, advertising investments decreased from 45.0% in the 1980s to 20.0% in the 1990s. In Brazil, the reduction of advertising investments has also become more dramatic since 1997 when the concentration of retailers began. It is estimated that 16 out of 19 industrialised product categories have been targets of reductions in advertising investments. Only milk and its derivatives, skin treatment products and clothing have not followed this tendency (Blecher 2005). In response to this reduction of advertising investments, 41 of a total of 74 brands have on average lost 5.0% of their value according to the Interbrand ranking of the 100 globally most valuable brands[3].

In the defence of the food retail sector, Supermarket Brazilian Association (ABRAS) argues that retailer contracts obey a logic required by a more competitive market as well as fulfil a specific role in the stabilisation of the Brazilian economy. Between January 1998 and April 2002, the Brazilian wholesale price index increased by 64.0%. In the retail sector, however, the increase did not exceed 9.0% (Blecher 2005). By refusing to transfer the increase in industry prices after the depreciation of Brazilian Real to consumers, retailers reversed their previous stereotype as the enemy of consumers and instead allied themselves with consumers by addressing their price concerns (Bruns 2000).

As a result of this dynamic, the greater power of the retail sector relative to industry has become undeniable; needless to say, firms that are shut out from one of the larger retail chains risk a loss of more than 10.0% of the Brazilian market. This is particularly true of food retailers in Brazil (Bruns 2000).

Industry has been using some strategies for reducing the power of retailers. One is horizontal growth, which refers to cooperation among firms in order to ease marketing and logistic costs as well as achieve improvements in bargaining power (Fundação Getúlio Vargas 2003). This alternative has been favoured by small and average-sized companies (Bruns 2000). Additionally, another strategy has involved searching for alternative marketing channels. In fact, industry has dedicated increased attention to small and average retail chains. Between 2003 and 2005, the income of small retailers and neighbourhood supermarkets[4] increased from 55.5% to 58.1% with respect to the food retail sector. However, another interesting alternative channel to the food industry is to focus on the food service. In this respect, one of the most important promising areas in food service is food franchising, as described in the next two sections.

[3] Industry's relation with retail is so unstable in the Brazilian market that disputes have been taken to court. These disputes have occurred in seven states in which commercial relations of the productive chain have been investigated. In the course of these inquiries, 33 different fees, charged by four big retailers, were found.

[4] With 10 to 19 check-outs.

3. Let's eat out, shall we?

Out-of-home consumption has been constantly increasing in terms of the total food consumption; this is a global phenomenon that reflects an urban and metropolitan lifestyle. It is estimated that the food service market reached US$214.5 billion in 2005, representing a 1.7% increase since 2001[5]. Significantly contributing to this worldwide trend, the American consumer spends the largest portion of her/his food budget on eating out. This means that assuming an average of two meals per day, one meal is usually not eaten at home. In Europe, this tendency is also observed, with an average proportion of five out of every seven meals eaten out of home. Even in Italy, long considered one of Europe's most traditional markets, the expenses of at-home food consumption are exceeded by out-of-home consumption (Alimento Seguro 2006; Serrentino 2006).

In Brazil, the situation is not different. Brazil's foodservice sector has grown faster than overall GDP growth due to factors such as a growing demand for convenience, an increase in the share of women in the workplace, rising disposable income, increased urbanization, meal vouchers being provided to workers by employers, and a growing tourism industry (USDA, 2005).

From 1999 to 2003, nearly 76.0% of the food budget of an average Brazilian would still be spent in traditional retail food outlets, with the remaining 24.0% directed to out-of-home meals (Alimento Seguro 2008; Serrentino 2006; USDA 2005; GvConsult 2004; Reardon et al. 2003). Out of the total spent by Brazilians on out-of-home food, 41.0% would be spent on lunch and dinner, 36.0% on snacks and sandwiches and 23.0% on drinks (Giro News 2006).

Currently, Brazilian consumers eat about one in five meals away from home (USDA, 2005). The percentage of Brazilians who regularly eat outside of the home has increased from 7.0% to 21.0% in the last three decades, representing more than 45 million Brazilians (Sanssarrão and Caribé 2008).

As a consequence, in the last years Brazil has enjoyed the largest growth of the food service relative to the traditional food retail, namely supermarkets (R$44.6 billion versus R$95.3 billion, respectively). Brazilian food service grew 15.5% as compared to 9.7% for the traditional food retail in the same year. The out-of-home sector has shown 12.5% average annual growth (Vilela and Araújo 2008). According to the ABIA, food service already absorbs more than 25.0% of the processed food produced in Brazil. Food Service in Brazil accounts for R$34.1 billion (approximately US$11.6 billion) in 2004. If other *in natura* products are taken into consideration, the total reaches R$44.6 billion, see Figures 1 and 2.

In conformity with international classification systems, the food service market in Brazil is stratified in terms of companies that are engaged in services and establishments such as bars, restaurants, bakeries, snack bars, fast foods, delivery, convenience stores, catering, industrial kitchens and institutional support, including schools and hospitals. As Figure 1 suggests, it is estimated that in 2004 approximately 74.0% of Brazilian food service sales occurred in restaurants (23.2% of the total), followed by bakeries (14.7%), bars (12.9%), fast food (12.0%) and snack bars (11.1%). Together, these segments total more than 600,000 establishments; see Table 1.

In this context, franchising represents a global trend in the commercialisation of products and services. In fact, we observed franchising chains in all food service segments worldwide as well in Brazil. This is the focus of interest of the next section, which analyses the relevance of food franchising to the food service sector in Brazil.

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[5] Note that 1 US$ = R$ 2.93.

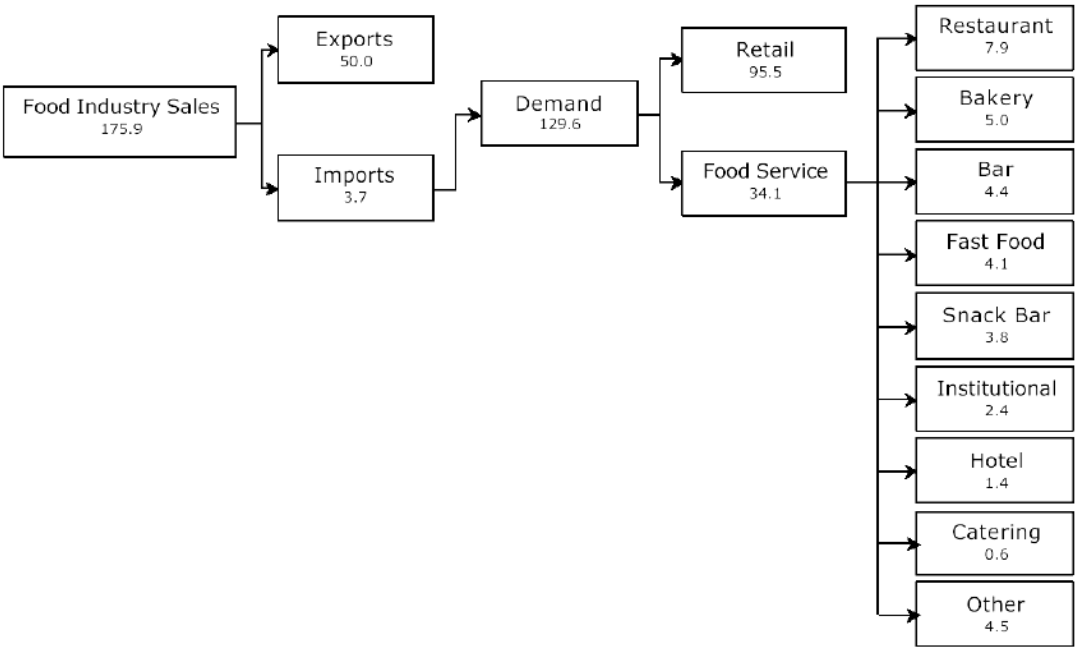


Fig 1. Food industry sales in 2004 (R$ Billions).
Source: USDA (2005). Note: 1 US$ = R$ 2.93.

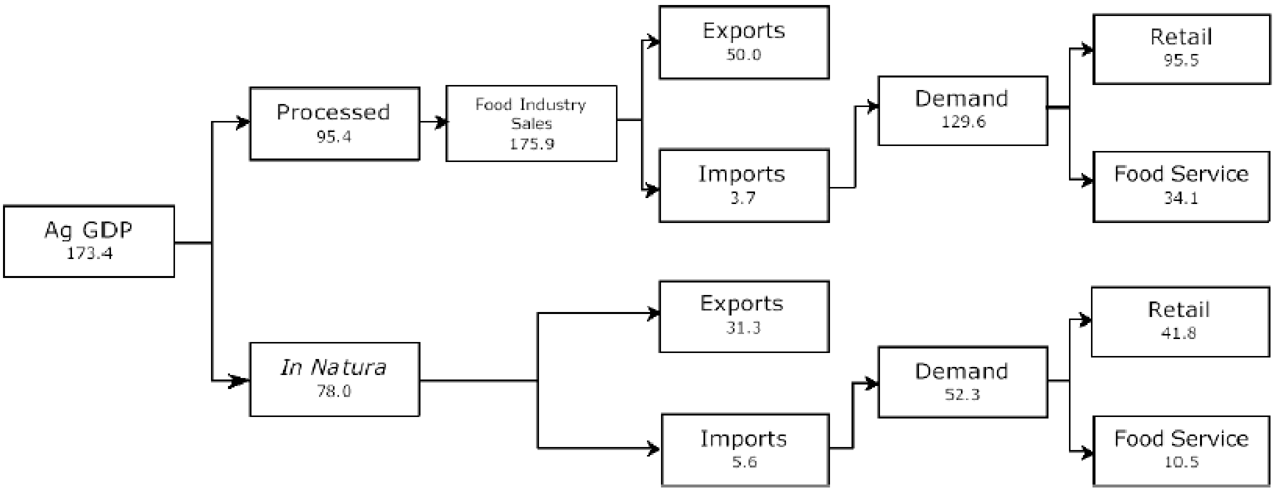


Fig 2. Food distribution system in 2004 (R$ Billions).
Source: USDA (2005). Nota: 1 US$ = R$ 2.93.

Table 1. Number of stores into Brazilian's food service.

Food service	2000	2001	2002	2003	2004
Coffee shops / Bars	158,862	162,070	168,071	163,973	168,013
Restaurants	65,019	65,364	66,420	63,099	63,839
Fast food	109,649	109,557	112,304	107,936	113,548
Delivery	461	491	538	558	631
Snack bar	4,444	4,800	5,082	5,138	5,343
Kiosks	203,582	220,012	225,734	230,495	244,270
Amount	542,016	562,294	578,149	571,199	595,643

Source: Euromonitor (2005) in USDA (2005).

4. Franchising and the acceleration of the food service sector

The ABF has conducted an annual survey of active companies in the food sector to ascertain data on franchising in Brazil between 2001 and 2007. The data show a global revenue of R$46.04 billion in 2007, representing an increase of 15.65% as compared to the previous year. The same ABF research estimates that franchising in 2007 has produced 1,200 chains and more than 65,000 purchases points; see Figure 3. These numbers place Brazil in a privileged position in the world scenario.

Indeed, Brazil ranks 4th globally in terms of total number of chains according to the annual report published by the French Franchising Federation (FFF). As Table 2 also shows, the US lost its historical preeminence in 2004 to China and Japan in this indicator, now occupying the 3rd position. France and Germany increased in global rank due to Canada and Philippines falling in the rankings.

Table 2. Top 10 franchising players in numbers of franchisors (number of franchise chains).

Country	Number of franchise chains	Ranking 2006	Number of franchise chains	Ranking 2008
China	2.100	1st	1.900	1st
USA	1.500	2nd	1.500	2nd
Japan	1.088	3rd	1.100	3rd
Brazil	971	4th	900	4th
France	929	5th	765	6th
Germany	880	6th	760	7th
Canada	850	7th	850	5th
India	850	8th	ND	ND
Philippines	750	9th	750	8th
Italy	735	10th	ND	ND

Source: Based on data of World Franchising Council published by FFF.
Available at: <http://www.franchise-fff.com/IMG/pdf/franchise-monde.pdf>. [ND: not declared].

Food chains have helped to consolidate franchising as one of the main sectors in the Brazilian economy. Brazilian franchising can be divided in 12 sectors: 1) shoes and personal accessories; 2) education and training 3) sport, beauty, health and entertainment; 4) photos, printing offices and signalling; 5) hotel and tourism; 6) informatics and electronics; 7) cleaning and conservation; 8) furniture, decoration and gifts; 9) business, services and other retail; 10) vehicles; 11) clothing; and 12) food.

Figure 3 compares the growth of total franchising in Brazil with food franchising in terms of total points of purchase. As Figure 4 shows, except in 2002, the food sector represented an annual growth lower than total franchising in Brazil (i.e., 9.09% versus 12.0%); however, this was still significantly superior to GNP growth, which was estimated at 1.93%. From 2003 on, franchising have an average growth rate of around 15.0%.

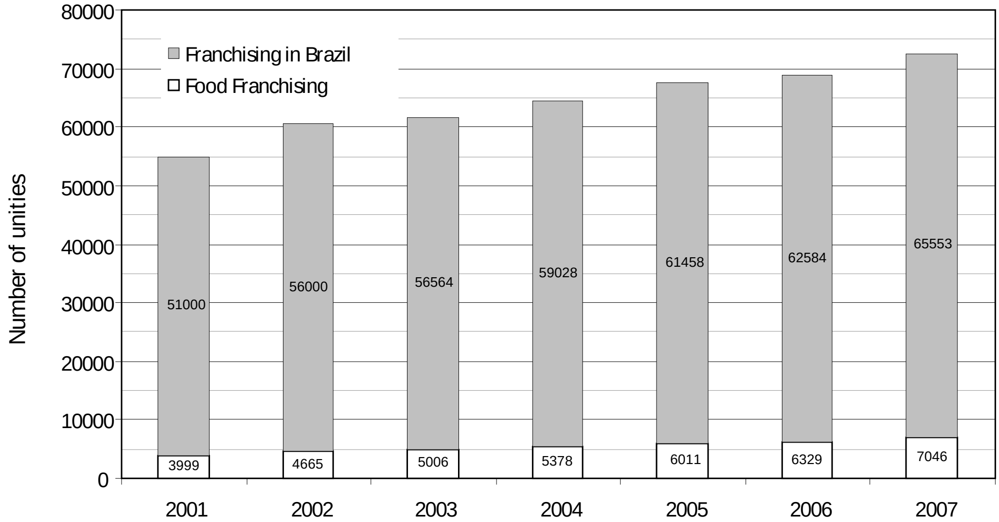


Fig.3. Comparative growth of Brazilian franchising and of the food franchises in terms of unit total numbers (points of purchase).

Source: Elaborated from Brazilian franchising global data made available by ABF.

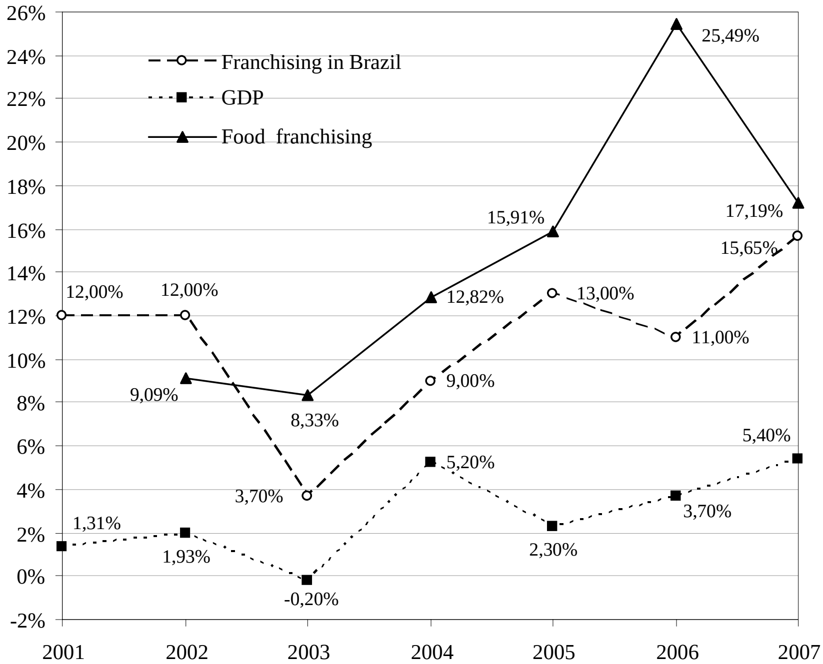


Fig. 4. Comparative growth of Brazilian franchising, food franchises and Brazilian economy (GNP). Source: Elaborated from Brazilian franchising global data made available by ABF.

The development of food franchises in Brazil follows the consumption trend that searches for solutions to the most varied market segments. Practically all businesses related to food retail and/or food service can be franchised, leading a great diversity in franchises. For instance, diet food and natural juices are distributed over franchise chains, as well as hamburgers, French fries and ice cream. Nonetheless, even though food franchising is not made exclusively of fast-food chains, the relevance of fast food in worldwide and Brazilian food franchising is undeniable, as shown in Tables 3 and 4 and in Figure 5.

The data presented in these tables and figures come from a longitudinal data set on Brazilian franchising over the last 14 years. The panel analysis uses data in yearbooks published by PEGN from 1994 to 1999 and the ABF from 2000 to 2007. These yearbooks offer information on (1) the number of company-owned and franchised outlets; (2) a firm's years of business and franchising experience; (3) royalty rates, advertising fees and franchise fees; and (4) features of the franchisor, such as the amount of capital required to open an outlet, and the type of business.

Brazilian franchising, food chains were divided into 14 segments: 1) bars; 2) bottled water and beverage distributors; 3) cafeteria; 4) chocolates; 5) candy; 6) fast food; 7) snack bars; 8) convenience stores; 9) bakeries; 10) pastel place (*pastelaria*)[6]; 11) pizza place; 12) restaurants; 13) ice cream parlours; and 14) other franchised business, such as frozen, natural and diet food, buffets, basket assemblage and specialty barbecue restaurants. Tables 3 and 4 and Figure 5 present of the breakdown of each food franchising segment in terms of number of chains and total number of units.

Table 3. Total number of chains in Brazilian food franchising between 1994 and 2007.

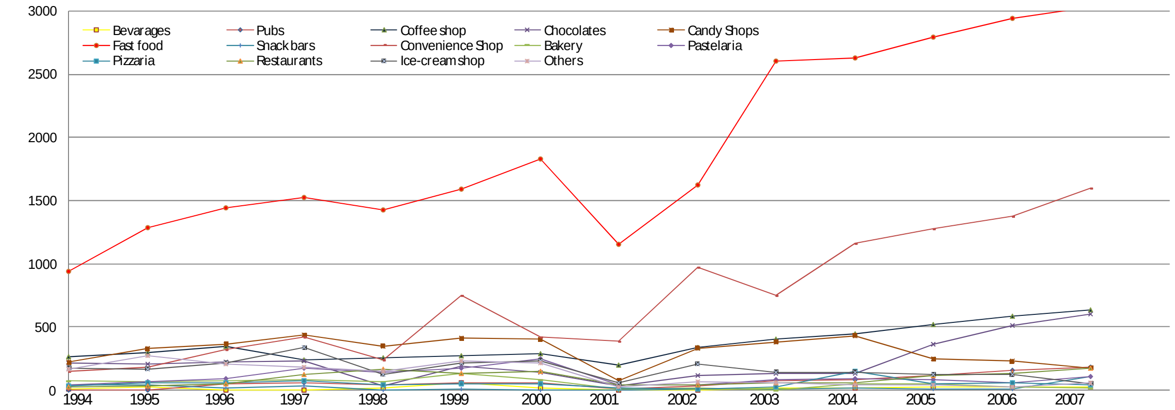
Food franchising segment	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Bars														
Candy	2	1	7	7	6	9	7	2	2	1	3	3	4	3
Convenience stores														
Ice-cream parlous	11	10	12	21	10	15	19	10	9	6	6	5	5	4
Others	23	28	23	23	11	20	28	8	6	4	3	2	4	5
Amount	163	190	172	217	133	204	207	101	91	93	82	90	94	109
Beverage	1	4	2	1	2	6	3	4	2	2	1	1	1	

[6] A typical food in Brazil, which may be associated with a thin fried pasty with various options for stuffing.

Table 4. Brazilian food franchising in franchise chains numbers.

Food franchising segment	Number of franchise chains	Participation in 2007
Bars	3	2,75%
Beverage	2	1,83%
Cafeteria	8	7,34%
Chocolates	6	5,50%
Candy	8	7,34%
Fast food	36	33,03%
Snack bars	8	7,34%
Convenience	5	4,59%
Bakeries	1	0,92%
Pastelaria	4	3,67%
Pizza place	5	4,59%
Restaurants	14	12,84%
Ice-cream parlous	4	3,67%
Others	5	4,59%
Amount	109	100,00%

Source: Elaborated with base on 'Official Guide 2007' (ABF).



Food franchising segment	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Pubs	4	2	57	58	46	64	63	8	35	75	84	119	161	187
Bevarages	11	25	5	7	23	63	18	1	0	20	24	26	26	31
Coffee shop	269	297	345	244	258	274	293	198	341	403	449	522	586	639
Chocolates	215	211	228	238	35	192	147	39	116	138	138	367	514	608
Candy Shops	223	329	367	436	350	411	406	79	333	385	434	249	233	179
Fast food	942	1283	1440	1529	1428	1587	1833	1153	1623	2602	2623	2789	2939	3031
Snack bars	44	44	24	36	0	13	7	0	12	14	17	9	13	110
Convenience Shop	152	188	324	420	239	752	422	392	973	754	1165	1275	1375	1595
Bakery	75	72	76	82	72	139	88	8	22	0	54	56	29	23
Pastelaria	48	68	96	179	141	174	248	48	45	87	91	88	64	110
Pizzaria	36	62	60	77	44	51	52	23	10	31	152	50	63	41
Restaurants	30	33	55	123	171	132	150	45	43	59	62	119	136	176
Ice-cream shop	177	171	220	337	130	221	235	61	210	145	145	128	127	56
Others	170	279	208	181	152	231	221	28	73	60	46	42	25	63
Amount	2396	3064	3505	3947	3089	4304	4183	2083	3836	4773	5484	5839	6291	6849

Figure 5. Total number of units in Brazilian food franchising between 1994 e 2007.
Source: Elaborated with base on PEGN, between 1994 and 1999,
and 'Official Guide' (ABF), from 2000 to 2007.

The fundamental assumption of the Brazilian food-service is franchising performance. To better understand this dynamic, let's consider two facts. The out-of-home consumption of food in Brazil has generated R$44.6 bi in 2004. In addition, in that same year, food franchise chains put R$4.36 billion (see Figure 6). What a means that franchising was responsible for about 10.00% (accurately 9.86%) of the total amount spent by Brazilians in the food service sector in 2004. This suggests that in the last few years, the average annual growth rates have been enhanced for both food service (15%) and food franchising (12.5%) in Brazil.

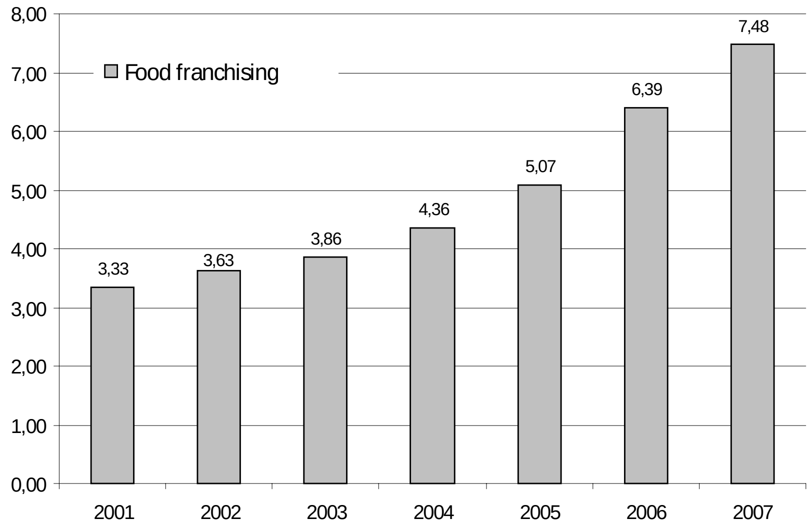


Fig. 6. Evolution of food franchise invoicing between 2001 and 2007.
Source: Elaborated from global data of food franchising by ABF.

Following this trend, industry has relied heavily on food service, particularly on food franchise chains, as a way to lessen the power of large retail chains with respect accessing the consumer. Indeed, food franchising growth has globally stimulated the creation of departments dedicated to addressing the particularities of this sector[7].

Moreover, industry has found in food service an important alternative marketing channel. The food service sector in Brazil already was the source of 5.6% of large industry revenue in 2005 (Giro News 2006), absorbing more than 25.0% of processed food production in Brazil, as discussed earlier.

Some Brazilian industries emerged through the spread of franchising in Brazil and now represent some of the main players of Brazilian food service. It was seized a rather fantastic business opportunity by creating specific companies to serve franchise chains.

Nowadays, the characteristically tough competition and level of quality in the Brazilian food industry has imposed additional challenges. More than simply supplying guarantees in terms of volume, date and time, and rigorous levels of standardisation and lower unitary insume costs, the sector has begun to demand value aggregation. Thus, industry aims not only conquering but also to make loyal clients. These goals have encouraged firms, for example, to offer complementary services, such as the centralised management of operations and information[8] or even the creation of development departments. In addition, industry offers high-technology products that are often better more or more exclusive than those offered to traditional retailers, such as supermarket chains. Industry also must develop technology to address the inherent difficulties of the food distribution in Brazil due to the precariousness of the national roads; product perishability; the vast geographic dispersion of the franchised establishments; the maintenance of cold temperatures in a tropical environment; as well as the necessity of frequent short-time deliveries (Vilela and Araújo 2007).

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[7] The US's interest in the Brazilian out-of-home food consumption can be linked to for the search of the food industry for alternate marketing channels. According to the US Agriculture Department, examples include Nestlé Food Service, Unilever Food Solution, Parmalat Food Service, Bunge Food Service, 3M Food Service, Nutrimental, and Tetra Pack.

[8] Conception of managerial reports of the operations, easing the store and the chain for franchise administration.

5. Concluding remarks: Managerial and theoretical implications of food franchising as an alternate method of commercialisation for the food industry

As previously discussed, industry has been losing power bigot large retailers. Beginning in the 1970s, growth in competition and enhanced concentration related to the retail sector have contributed to a change in industry paradigm. No longer a mere physical means for reaching consumers, retail distribution is now seen as of vital importance for the survival of the food industry. Suppliers (agricultural producers and industry) have had a significant level of dependency on the retail sector, since retail chains represent a substantial portion of the market. The problem is exacerbated when the commercial retailer is understood as a powerful competitive strategy for the differentiation and aggregation of the value of commercialised products and/or services.

As a consequence of this process, Silva et al. (2009) discuss vertical strategy of commercialisation activities as an alternative to capturing value generated in the production system with respect to industry and agricultural producers. In this case, industry combines its original activity (that is, processing) with the direct management of outlets under its trademark. This is a case of strategy of direct marketing channel; when intermediaries between producer and consumer are eliminated[9].

Nevertheless, the choice of a vertical growth strategy must not be understood as an easy and immediate solution. This can be seen through a classic dilemma experienced by organisations. If on the one hand, a company attains better control over the different steps of the distribution channel, this will yield greater efficiency in production coordination. On the other hand, the company will then internalise different costs. As a result, the benefits of better production value appropriation, made viable by verticalisation, can be threatened due to these incurred costs, which include learning processes involved in managing newly-adopted competencies.

Franchising is usually understood as an alternative to attenuate this problem. In fact industry might be interested in operating a franchise chain in order to mitigate the costs associated to a vertical growth strategy.

According to Silva (2004) and Azevedo et al. (2003), the expansion of a franchise chain enhances the reputation of the brands it carries, and thus, it easier the franchisor and the franchisee to obtain benefits associated with franchising when it comes to marketing. The franchisee can begin its activities without the need further develop the product or negotiate the process of creating a positive reputation for the product, as both of these issues have been already addressed. At the same time, the franchisor receives money compensation for licensing. Similarly, once the development of technology, products or administrative procedures can be transferred to others through a franchise contract, this same investment may provide a greater return to the franchisor and allow the franchisee to be more conservative with its investments. Through chain expansion, the entire system should benefit from gains in volume of sales and distribution. So, franchising represents a solution to industries that allows increased participation in the market with limited capital expenditures (Azevedo et al. 2003). Since the franchisee is responsible for the initial installation costs of a given unit as well as the continuous oversight of operations, franchising may provide the

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[9] As an example of an indirect channel strategy, let's analyse a case observed in Brazilian cafeteria sector; the partnership between Melitta and the franchise chain Fran's Café. Similar to its engagement in traditional retail (that is, supermarket chains) over at least the past decade, Melitta supplies the coffe shops chain with differentiated and exclusive blends. In turn, illustrating the use of franchising as a direct channel, we have the case of other two toasters, Café Cacique and Café do Ponto (this one has been part of the Sara Lee Group since 1998). In addition to its engagement in traditional retail, these both toasters have found in the management of a outlets chain an important direct channel for commercialisation through their investments in the brands Gran Espresso and Café do Ponto (Silva et al. 2007).

franchisor an accelerated increase in production without great capital investments, thus costing proportionally less than expansion based on a vertical growth strategy.

As these two advantages do not represent exclusive benefits with respect to the franchising[10], distribution and marketing costs associated with independent retailers, the gains related to the reduction of monitoring costs and increased commercialisation control must represent the main factor organisations use when choosing this mechanism of commercialisation. These three variables all together have allowed franchising to remain as a worldwide tendency in products and service commercialisation and distribution (Azevedo et al. 2003).

Regarding these advantages, special care must be given to the use of franchising as a marketing channel by both industry and potential franchisees. On the one hand, part of the expected profit can also be lost due to an industry's need manage organisational competences, which is different from initial costs incurred, for instance, due to learning processes involved in the use of government initiatives for channel coordination. Once the original competences of industry are the internalisation of productive activity, the choice of franchising and the management of a brand and business system must be not obvious. The same logic is also valid for the choice of verticalisation, concerned with the choice of owning a company-owned outlet (Silva et al. 2009).

However, due to the need for specific competences, franchising as a direct marketing channel on the part of industry can represent risk to potential investors. Indeed, Rizzo Franchise (2006) has indicated the surprising bankruptcy rate of franchisors that come from industry (76.0%). These franchisors include firms that use franchising as a way to drain their products sold by franchisees under the franchised brand. The risk of such a strategy involves the misperception that the franchise is exclusively a distribution channel rather than a business in which experience (in years) is one of the keys to success.

This discussion of franchising as a direct channel used by industry suggests two future areas of interest, both of which can be addressed using the Brazilian longitudinal database on franchising. The first topic involves the analysis of the dynamics of franchising in Brazil throughout the last 14 years (1994 a 2007), including an investigation of the successful performance of franchise contract practices in Brazil. The second topic involves the quantification of franchising practices as a direct channel of commercialisation and its success rates with respect to planned franchised businesses. When it comes to research agenda, the main discussion of the present article (that is, the investigation of food franchising as an alternative commercialisation channel to the food industry through direct or indirect strategies) also raises other interesting matters. As the food service sector transcends the limits of the food industry and thus represents an important channel for agricultural GNP, studies dedicated to the role of food franchising in the development of brand suppliers as well as in the dynamics of agricultural organisations should follow the present study.

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[10] See the licensing contracts or even the production scale gains, for instance.

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