Master thesis
Autumn semester 2006
Supervisor: Margareta Paulsson
Author: Gabriella Lidberg

FRANCHISEES – A NEW SEGMENT FOR SWEDBANK?
- a qualitative study of how banks work with market segmentation
Thanks to all the respondents that has made this study possible.

Umeå 28 February 2007

…………………………………..
Gabriella Lidberg
SUMMARY

The finance industry has been rather slow adopting a customer oriented approach and instead had more of a transaction oriented approach having largely undifferentiated markets. During the last two decades the world’s finance industry has been undergoing a process of transformation set off by the deregulations, internationalisation and technological change. The effects from these changes have made the companies providing financial services, such as banks, face new challenges regarding their role in the economy. Swedbank, one of the largest banks in Sweden, is now looking at how to segment their market in the best possible way in an attempt to find segments that they can serve better and in that way become more competitive. One potential new segment they have found is the increasingly more common franchise systems. This has lead to the following problem statement and purpose for this thesis:

How do banks work with market segmentation?

The main purpose with this study has been to develop a deeper understanding of how banks work with market segmentation by studying the example of the potential segment of franchisees and their franchisors. The subordinate purposes include learning what franchisees think about their situation and relation with banks, clarifying the market potential of franchise segment for banks, and to give suggestions of aspects that might be valuable to consider for banks when examining the potential for a new segment of franchisees and their franchisors.

My aim was to create a better understanding of the phenomenon studied by interpretations and therefore chose a qualitative data collection and analysis method to be able to answer the problem statement and purposes for this study. Nine in-depth interviews, eight interviews with different franchisees and one interview with a respondent from Swedbank, was carried out.

What I have found with this study is that up till now the segmentation by banks has not been very fine tuned using rather simple variables and methods. But seen that as the bank market is starting to adopt more of a relationship marketing perspective the banks’ view of segmentation might also be starting to change and develop. As this study of Swedbank’s work with establishing whether franchise systems can be a new segment for them show that banks seem to be moving from their simple break-down approach with size and industry variables towards more of a build-up approach seeing their customers as different and unique building up the segments. Still though, segmentation is not very natural and prioritised as it is for many other companies.

Other conclusions that can be drawn from this study are that if banks are to create a segment with franchise systems and trying to attract them with various marketing packages they have to be aware that relationships seem to be very important for customers and something that might make them not changing bank even if being offered good solutions. Although not having much contact with their banks customers can be satisfied since relationships can be in either a passive or active relational mode. Consequently if wanting to be able to get good penetration with a package of bank products and services I believe it is important that the banks are offering these packages to the franchise systems already early in the franchisees’ start-up phase, either when new franchisees are added to the existing franchise system or when the whole franchise system is completely new otherwise it will be more difficult to attract franchisees with such a package offering.

Another conclusion that can be made is that banks seem to have problems with spreading good solutions throughout the whole bank. By looking over their market segmentation banks might become better at this, as well as becoming more knowledgeable about the different segments.

Lastly, the market potential for franchise segments for banks seems to be rather good since even though franchisees do not see themselves as different from other small companies having different needs some prerequisites makes them different and interesting.
# TABLE OF CONTENTS

1 INTRODUCTION .................................................................................................................. 2  
1.1 BACKGROUND ................................................................................................................. 2  
1.2 PROBLEM DISCUSSION ................................................................................................. 3  
1.3 PROBLEM STATEMENT ................................................................................................. 6  
1.4 PURPOSE ......................................................................................................................... 6  
1.4.1 Main Purpose ............................................................................................................. 6  
1.4.2 Subordinate Purpose ................................................................................................. 6  
1.5 DEMARCATIONS ............................................................................................................. 6  
1.6 OUTLINE OF THE THESIS .............................................................................................. 6  
2 THEORETICAL METHOD ................................................................................................... 7  
2.1 PRECONCEPTION ........................................................................................................... 7  
2.2 PERSPECTIVE – A STUDY FROM THE BANKS PERSPECTIVE ...................................... 8  
2.3 VIEW OF KNOWLEDGE ................................................................................................... 8  
2.4 SCIENTIFIC APPROACH ................................................................................................ 9  
2.5 WORDS OR NUMBERS .................................................................................................. 10  
2.6 LITERATURE REVIEW .................................................................................................... 10  
2.7 CRITICISM TO LITERATURE USED .............................................................................. 11  
3 FRAME OF REFERENCE ..................................................................................................... 12  
3.1 SERVICES ....................................................................................................................... 12  
  3.1.1 The Service Definition .............................................................................................. 12  
  3.1.2 Service Characteristics ............................................................................................. 13  
  3.1.3 Classification of Services ......................................................................................... 13  
3.2 BANKS .......................................................................................................................... 14  
3.3 NEW BUSINESS OPPORTUNITIES ................................................................................ 15  
3.4 BUILDING RELATIONSHIPS ......................................................................................... 16  
  3.4.1 Bank-to-Business Relationships .............................................................................. 16  
  3.4.2 A Relationship Marketing Perspective ................................................................... 16  
3.5 SEGMENTATION ............................................................................................................. 18  
  3.5.1 Segmentation Variables ............................................................................................. 20  
  3.5.2 Segmentation Methods .............................................................................................. 20  
  3.5.3 Segmentation Criteria ............................................................................................... 22  
4 PRACTICAL METHOD ....................................................................................................... 24  
4.1 SELECTION OF RESPONDENTS ................................................................................... 24  
4.2 INTERVIEW GUIDE ........................................................................................................ 25  
4.3 THE INTERVIEWS AND INFORMATION PROCESSING .................................................. 25  
4.4 CRITICISM OF PRIMARY SOURCES ............................................................................. 26  
5 EMPIRICAL FINDINGS ....................................................................................................... 27  
5.1 RESPONDENT A - SWEDBANK AB ............................................................................. 27  
5.2 RESPONDENT B ............................................................................................................. 31  
5.3 RESPONDENT C ............................................................................................................. 33  
5.4 RESPONDENT D ............................................................................................................. 36  
5.5 RESPONDENT E ............................................................................................................. 38  
5.6 RESPONDENT F ............................................................................................................. 40  
5.7 RESPONDENT G ............................................................................................................. 42  
5.8 RESPONDENT H ............................................................................................................. 45  
5.9 RESPONDENT I ............................................................................................................. 47  
6 ANALYSIS .......................................................................................................................... 50  
6.1 MARKET SEGMENTATION – THE VIEW OF THE BANK ............................................... 50  
  6.1.1 The Purpose of Market Segmentation ....................................................................... 50  
  6.1.2 How to Segment the Market ..................................................................................... 50  
  6.1.3 Advantages and Disadvantages with Market Segmentation ..................................... 51  
  6.1.4 How to Know and Decide That It Is a New Segment .............................................. 53
6.2 MARKET SEGMENTATION – THE VIEW OF THE FRANCHISEES

6.2.1 THE SITUATION AND RELATION WITH BANKS – IN THE PAST

6.2.1.1 Why Franchisee – Buying a Package?

6.2.1.2 Why Franchise – Other Prerequisites?

6.2.1.3 Deciding on a Bank

6.2.1.4 The First Contact

6.2.2 THE SITUATION AND RELATION WITH BANKS – TODAY

6.2.2.1 Relation or Contact?

6.2.2.2 The Banks’ Awareness and Fulfilment of Needs

6.2.2.3 What Makes Companies Change or Not Change Bank?

6.2.3 THE SITUATION AND RELATION WITH BANKS – IN THE FUTURE

6.2.3.1 Cooperation in the Franchise System

6.2.3.2 Package of Bank Products and Services

6.2.3.3 Point of Having the Same Bank as the Franchisor

6.2.3.4 Segment or Not?

7 FINAL CONCLUSIONS

7.1 THE PROBLEM STATEMENT OF THE STUDY

7.2 THE MAIN PURPOSE OF THE STUDY

7.3 THE SUBORDINATE PURPOSES OF THE STUDY

7.4 SUGGESTIONS FOR FURTHER RESEARCH

8 CREDIBILITY CRITERIA

8.1 VALIDITY

8.2 INTERSUBJECTIVITY

8.3 PRACTICAL APPLICABILITY

8.4 DATA COLLECTION AND INTERPRETATION

REFERENCES
1 INTRODUCTION

This is the chapter where the reader will receive an understanding of the topic that the thesis will discuss. At first the background and problem discussion that was the source and cause to the problem statement and purpose of this thesis, will be presented. Thereafter the problem and purpose is introduced together with the limitations and demarcations in an attempt to give you a clearer picture of this thesis. Rounding off the chapter an outline over the thesis disposition is presented.

1.1 BACKGROUND

An efficient and reliable financial services system is of vital importance for any modern economy and it is often seen as a precondition for all forms of economic activity. It is so important that it is often called the lubricating oil that makes the rest of the economy function.¹

The needs of lenders and borrowers rarely match and financial intermediaries therefore perform an important function for the economy by bringing together people who want to save with people who want to make investments.² Financial intermediaries are banks, building societies, investment trusts, and other companies that hold funds borrowed from lenders in order to make loans to borrowers and they together with non-deposit taking financial institutions, such as stock brokers and insurance companies, comprise the finance industry.³

The finance industry has been rather slow adopting a customer oriented approach. Instead the industry has had more of a transaction oriented approach and it was long relatively inward looking with largely undifferentiated markets. The consumer loyalty received by the industry was more a result of disinterest and many customers were showing a high degree of indifference toward financial institutions. During the last two decades things have been changing and the world’s finance industry is undergoing a process of intense structural change triggered by waves of deregulation, internationalisation and technological change. The combined effects from these changes make the companies providing financial services face new challenges regarding their role in the economy and especially their competitiveness.⁴

For the banking market these structural changes have brought about two trend that has to be mentioned; the large banks have become larger and fewer, and new actors have been established on the market.

The banks have all over the world become larger and fewer through for example mergers and acquisitions.⁵ This has also been the trend on the Swedish market. For instance, two consolidations took place in 1997; Svenska Handelsbanken acquired the real estate loan institution Stadshypotek and Stadshypotek Bank and FöreningsSparbanken was established through a merger between Föreningsbanken and Sparbanken Sverige.⁶

The establishments of new actors on the market have taken place through internationalisation and establishment of foreign banks and through the emergence of new small banks.⁷ The world’s financial service market was until recently extensively regulated. In the 1980s however many governments thought that regulations had become a distorting influence on the industry and that it was no longer serving its original goal and therefore started to deregulate their financial services market.⁸ In Sweden the deregulation started in the middle of the 1980s. In 1986 foreign banks were authorized by the

¹ Eriksson, K (red.), (2006), Utveckling av kundrelationer inom bank- och finansmarknader, p258
⁵ Lee, J, (2002), A key to marketing financial services: the right mix of products, services, channels an customers, pp238-258
⁷ Lee, J, (2002), A key to marketing financial services: the right mix of products, services, channels an customers, pp238-258
⁸ Haper, I., T C H, Chan, (2003), The future of banking: a global perspective, p32
government to establish subsidiaries on the market and by the end of the 1980s all bank categories got the legal right to compete in all types of bank operations and activities.\textsuperscript{9} The bank crises in the beginning of the 1990s made the foreign banks decrease their presence; but now the number of foreign banks is increasing.\textsuperscript{10} Danske Bank is one example of a foreign bank that has established its presence on the Swedish bank market and Nordea, created through a series of Nordic bank mergers, is another.

New small banks have for example been created as a result of the industry drift between the banking and insurance businesses and also by means of the changing electronic technology and internet Banks have started to provide insurances whereas many insurance companies have started their own banks.\textsuperscript{11} Länsförsäkringar Bank and Skandiabanken, for example, have started banking businesses as well as their traditional operations.\textsuperscript{12} Changing electronic technology and the internet have changed how customers interact with their financial institutions and many customers are now relying on the internet as the main distribution and communication channel instead of the physical bank offices. The development of electronic technology has also led to the development of niche banks that use internet as the main way to communicate and interact with their customers, \textsuperscript{13} for example Avanza and Nordnet. Some of these banks have adopted strategies of being a complement to the customers’ regular bank whereas others offer the full range of bank services. The niche banks are however still moderately few and are only having a small share of the market, but they are growing.\textsuperscript{14}

With an increasingly competitive market situation with new entrance from both international and non-traditional players, changing delivery channels, and ever more demanding customers, banks are have to establish their best competitive position.\textsuperscript{15} Swedbank, which is one of the largest banks in Sweden, is now looking on how to segment their market in the best possible way in an attempt to find segments that they can serve better and in that way become more competitive. One potential new segment they have found is franchise systems.

\subsection*{1.2 Problem Discussion}

Franchising is increasingly becoming more common as business format all over the world.\textsuperscript{16} Roughly ten thousand people are working in different franchise systems here and about five percent of the gross domestic product in Sweden comes from these franchise systems. Franchising as a business form is becoming increasingly important for the Swedish economy.\textsuperscript{17}

Franchising as a business format is however not that new. It has its origins back in 1863 when Singer Sewer Machine Company in USA developed a distribution system with individual sales people that worked with exclusive rights in various districts. It was however not until the 1960s that franchising became a well-known concept as McDonald’s, Avis, and other companies spread the business concept as the rapidly expanded all over the world. In Sweden the growth of franchising took off in the 1990s. However some companies were operating as franchise businesses long before this without knowing it, for example was Swedish Tourist Information operating its hostel business in a similar manner as franchising.\textsuperscript{18}

Due to the fact that there are many different definitions and types of franchising, franchising can be experienced as something rather diffuse.\textsuperscript{19} Combs et al define franchising as “an organizational form

\begin{thebibliography}{9}
\bibitem{9} Zineldin, M. (1996), \textit{Bank strategic positioning and some determinants of bank selection}, pp12-22
\bibitem{10} Konkurrensverket, (2006-12-12), \textit{Konsumentrörighet på de finansiella marknaderna}, http://www.konkurrensverket.se/
\bibitem{11} Bankföreningen, (juni 2006), \textit{Banker i Sverige – Faktablad om svensk bankmarknad}, http://www.bankföreningen.se
\bibitem{12} Konkurrensverket, \textit{Konsumentrörlighet på de finansiella marknaderna}.
\bibitem{13} Lee, J. (2002), \textit{A key to marketing financial services: the right mix of products, services, channels, customers}, pp238-258
\bibitem{14} Konkurrensverket, \textit{Konsumentrörlighet på de finansiella marknaderna}, http://www.konkurrensverket.se/
\bibitem{15} O’Loughlin, D, I. Szmigin, P. Turnbull, (2004), From relationships to experiences in retail financial services, pp522-539
\bibitem{16} Handels Utredningsinstitut och SFF, (2006-12-20), \textit{Franchising i Sverige maj-augusti 2006}, http://www.hui.se/
\bibitem{17} Engström, A. et al., (2005), \textit{Franchising i praktiken}, pp206-210
\bibitem{18} Ibid, pp17-18
\bibitem{19} Svensk Handel och SFF, (2006-12-12), \textit{Franchising i Sverige – en företagsform på frammarsch (feb2004)}, http://www.franchiseforeningen.se/
\end{thebibliography}
wherein one company, the franchisor, allows another company, the franchisee, to market goods or services under the franchisor’s brand name and to use its business practices.”. Another definition is by Stanworth et al who state that franchising is “a business form essentially consisting of an organization (the franchisor) with a market-tested business package centred on a product or service, entering into a continuing contractual relationship with franchisees, typically self-financed and independently owner-managed small firms, operating under the franchisor’s trade name to produce and/or market goods or services according to a format specified by the franchisor”.

Both these definitions describe the essence of franchising; the cooperation between two separate entities, the franchisor and the franchisee, together called a franchise system. They are legally independent but economically interdependent, working toward a common goal. The relationship between the franchisor and the franchisee is regulated by a franchise contract that forms the basis for the cooperation with rights and obligations.

There are three different types of franchising: product distribution franchising, trade name franchising, and business format franchising, depending on the width of the cooperation. When concentrating mainly on the product the franchise concept is called product distribution franchising. It is based on the right to exclusive distribution and one example of this is how the company Pripps distributes Fanta in Sweden. Trade name franchising on the other hand is a little bit more developed form of franchising and means the right to market a company under a certain trademark. The franchisor provides the right to an internationally well-known trademark but does not interfere in the operation of the business. Several well-known hotel companies are marketed in this way, for example Holiday Inn. The most extensive form of franchising is business format franchising which is a comprehensive cooperation according to legally binding contract that covers all parts of the business operation. The contract can be regarded as the basis of business format franchising and states the rights to use labels, names, trademarks, production procedures, prescriptions, against payment. The payment is generally divided into two parts; a lump-sum fee with is paid when starting up as franchisee plus royalties based on the gross sales.

There are other chain store concepts that are using the name, trademark, goods and services, in the contact with customers, but that are not franchise systems. What decides which category the different chain store concepts belong to depends on the ownership form and the context that they are operating in. The three chain store concepts usually mentioned are; branches, voluntary cooperatives and franchise systems. In a branch company it is the mother company that owns the stores. These stores are managed by store managers but all the personnel are employed by the mother company and it is the mother company that handles the contact with suppliers and handles the purchasing, administration, marketing and so on. In voluntary cooperatives, on the other hand, the stores are owned by individual company owners which together own the chain central. What makes franchising different from the other two chain concepts is that there is no ownership in any direction. Instead the franchisor and the franchisees are legally and economically responsible for their own companies and the cooperation is regulated by a contract.

Advantages with franchising for the franchisors and the franchisees are many, but there are also some disadvantages. For the franchisor franchising is a relatively fast and inexpensive way to expand the business. The reason for this is that the franchisees themselves are paying for the start-up of their companies as well as capital investments. By having franchisees and therefore more stores the
franchisor also becomes more able to compete for customers and enhance the possibilities for increasing the market share. What is more, since the franchisees are self-employed they are probably more motivated than they would have been as employees. Disadvantages that the franchisor can experience with the franchise cooperation are for example that the trademark can become weaker if the franchisees do not live up to expectations, the protected rights can be misused, and there can be conflicts over the goals for the business.  

For the franchisee franchising gives the opportunity to start up a business. It gives the franchisee access to a well-tried business concept and the franchisee therefore does not have to start completely from scratch. With the franchise concept the franchisees also get access to large-scale advantages which the franchisees can get even though his/her own company is relatively small. Other advantages with franchising for franchisees are the education, administration services, support systems, marketing, and know-how they can get from the franchisor. The franchise concept provides the franchisees with a tried and tested success formula which limits the risks involved, however it also restricts the individual freedom and innovation for the individual franchisees in comparison to other completely independent business owner. It has been established that franchise companies have fewer bankruptcies than the average companies and the fewer bankruptcies are believed to be because franchisees are buying a well-established business concept that has proven successful previously.

The franchise concept can also mean some disadvantages for the franchisees such as hard control and rules as well as royalties and fees plus the capital investment and start-up costs the franchisees have to pay to the franchisor. The franchisees can also have a somewhat ambiguous position being neither a completely independent company owner nor an employee. They do can not do whatever they want with their companies, but have some restrictions outlined in the franchise contract. Some researchers say that franchising attracts people that otherwise would not become business owners. Other describes franchisees as some type of restricted entrepreneurs, calling them “intrapreneurs”, something in between an independent entrepreneurs and large corporate managers.

Franchising was originally only an effective way of distribution of goods and services such as the method that Singer Sewer Machine Company used with exclusive distribution rights. Nowadays however, the business format franchising is seen as a concept of running and managing companies. When mentioning franchising in the remainder of this thesis it is the business format franchising that is referred to.

As increasingly more franchise systems are appearing on the Swedish market companies start to become aware of this business concept. More new international franchise concepts are also starting to establish their presence here. Swedbank has experienced that these franchise systems together with the existing systems have for example pointed out the need for giving added-value back to their franchisees in the form of smart bank products and services together with seeing franchise companies as the systems they are and creating some sort of concepts for franchise systems something that banks in other countries already have. Swedbank is therefore interested in whether franchise systems could be a new segment for them. The question however is; do franchise companies have different needs and buying behaviour that would make them a potential new segment for banks? This leads to the problem statement and purpose for this thesis stated below.

---

30 Morrison, A, C. Lashley, (Sep2003), A franchise: a resource-rich small service firm?, pp135-149
33 Clarkin, J E, S M. Swavely, (2006), The importance of personal characteristics in franchisee selection, pp133-142
35 Morrison, A, C. Lashley, (Sep2003), A franchise: a resource-rich small service firm?, pp135-149
36 Engström, A. et al, (2005), Franchising i praktiken, pp19-20
1.3 PROBLEM STATEMENT

How do banks work with market segmentation?

1.4 PURPOSE

1.4.1 Main Purpose

This thesis aims at developing a deeper understanding of how banks work with market segmentation by studying the example of the potential segment of franchisees and their franchisors.

1.4.2 Subordinate Purpose

- Learn what franchisees think about their situation and relation with banks.
- Clarify the market potential of franchise segment for banks.
- Give suggestions of aspects that might be valuable to consider for banks when examining the potential for a new segment of franchisees and their franchisors.

1.5 DEMARCATIONS

The empirical part of this thesis only concentrates at one Swedish bank, Swedbank, by a case study of how they are working with franchise segments in their segmentation process. This means that if a case study with another bank had been done different aspects of the phenomenon studied might have been found.

1.6 OUTLINE OF THE THESIS

The following illustration will provide the reader with an overview of the structure of the thesis. The structure is rather classical starting with an introduction of the topic of the study and ending up with the credibility criteria.

![Diagram of thesis outline]

*Figure 1: The outline of the thesis*
2 THEORETICAL METHOD

This chapter will describe my preconceptions, view of knowledge and the scientific ideals that I have which determined how I chose to carry out this study. Also an introduction to how and why I chose the topic for this thesis will be presented together with my expectations of the work. The chapter ends up with a presentation of how the gathering of secondary sources and choice of theories has been conducted and some evaluation of the secondary sources chosen.

2.1 PRECONCEPTION

Preconceptions can be depicted as a backpack that we are carrying with us during the life. As time goes by new things are added to the backpack at the same time as old things that no longer fit are modified or thrown out of the backpack. As a result of peoples’ different preconceptions, people see things from different perspectives and will interpret the reality and make choices in consistence with these preconceptions. The preconceptions are shaped by the social background, life experiences, education, religion, and so on. My preconceptions for example are probably different to my friend’s mother in Malaysia due to our different social background, education and other life experiences.

It was long a common belief that researchers were supposed to be objective and free from subjective opinions when conducting research. Nowadays this is however not the case anymore since many researchers now have the opinion that even though the researcher tries and should try to be as objective as possible the researcher’s preconceptions can still appear anywhere in the research process and influence choices made such as the choice of problem statement, methods for data collection, and many other things. For increasing the awareness and avoiding that the preconceptions and values have an uncontrolled influence on the research process the researcher should try to reflect over how the preconceptions can affect the study.

Being aware that my previous experiences and preconceptions probably influence me and will be reflected in this thesis in one way or another I will try to make clear for the readers and myself what my preconceptions are and how they can possibly influence the study. This is made in an attempt to get the readers and myself the possibility to reflect over and decide the credibility of this study.

My higher educational experience consists of five years of studies at the International Business Program at Umeå University. During my student time I have got the opportunity to both study and work as a trainee abroad and as a consequence I have gained valuable international experience from living in England, Germany and Malaysia something I believe have widened my perspective. The university studies has learned me among other things how to search for information, think critical, deal with problems and compose reports, skills which have been useful when writing this thesis.

When starting planning and searching for a topic for this thesis I came to the conclusion relatively early on that I wanted to write the thesis on commission for a company. Reasons for this decision were that I felt that it would be somewhat more exciting and motivating trying to solve a real problem expressed by an actor on the market. The intention was to find a research problem that was up to date and relevant. Searching through the internet I came across the website of Swedbank which had posted different proposals for student to study and one was in the field of marketing. The proposal immediately caught my interest and I was later lucky to be the one chosen for the assignment.

Time and money are two factors that will influence the choice of problem, problem formulation, and how the study is conducted. An advantage with writing a commissioned thesis is that it helps the

37 Thurén, T, (2004), Vetenskapsteori för nybörjare, p53
38 Johansson Lindfors, M-B, (1993), Att utveckla kunskap, p23
40 Ibid, p37-38
researcher to save time since the research problem already is found.\textsuperscript{41} Apart from that I was free to choose my own research problem and how to conduct the study and the bank has never wanted to interfere with or influence the study.

I will here not only explain my educational background but also reflect over my previous experience with the banking business and franchising and what influence it can have on the study. During my student time I have worked during vacations and the semesters for a bank and is therefore rather familiar with this industry, however only the retail banking and not corporate banking. Positive aspects that my previous experiences from the banking business bring to the work with this thesis are for example that I have some basic knowledge about the industry and do not have to learn the terminology used. Negative aspects with personal experiences can be that the researchers unconsciously would describe the company or industry in a more favourable or unfavourable light or when writing the study on commission trying to come up with results that one believes the company would like to get. I have tried to make myself aware of these potential risks and will in the thesis also explain as exhaustively as possible how the study was carried out and motivate the decision made, so that the readers can form an opinion if the credibility and quality of the study.

Franchising and how to run a business is something that I do not have much personal experience from apart from what the university education has covered. At the one hand this could be something positive since I came to the interviews with a fairly open mind and did not have much personal experiences that could colour the respondents’ portrayals. On the other hand since my knowledge was rather limited it might have restricted the interpretation and analysis made.

\section*{2.2 PERSPECTIVE – A STUDY FROM THE BANKS PERSPECTIVE}

When thinking about how to conduct this study I was considering whether to conduct it from the perspective of banks or from the perspective of franchisees. Since the study was commissioned by a bank it turned out to be quite natural to take the perspective of banks.

\section*{2.3 VIEW OF KNOWLEDGE}

The view of knowledge communicates how the researcher interprets the reality and with what method the reality should be studied. Already the problem formation can give a hint of how the researcher views the reality and the human nature. Since the view of knowledge influences how the researcher approaches and conducts the study it is good if the researcher also reflects over and explains his/her view of knowledge. Johansson Lindfors however states that it is important that the explanation of the view of knowledge that the researcher gives should facilitate the development of the research process and not be completely detached from the study\textsuperscript{42}, something I will try to keep in mind.

In all times researchers have discussed whether there is an objective or subjective reality and to what extent or even if it is possible to gather information about the reality. The central theme has been whether the social world can and should be studied in the same manner and according to the same principals as the world of natural science.\textsuperscript{43} The hermeneutic view of knowledge says that it is not meaningful to talk about an objective reality but assumes that there are several different pictures of what we call reality and that different persons understand and interpret the same events differently.\textsuperscript{44} My view of knowledge has its base in this approach, since instead of seeing the social reality as external, independent and objective I see it as socially constructed and subjectively experienced.

As a consequence I believe that the study of how people think and act is something different from the study of nature, and that it is not possible to study a social phenomenon that is involving people’s

\textsuperscript{41} Johansson Lindfors, M-B, (1993), \textit{Att utveckla kunskap}, p20-21
\textsuperscript{42} Ibid, p36-39
\textsuperscript{43} Bryman, A, E, Bell, (2003), \textit{Business Research Methods}, p13
\textsuperscript{44} Jacobsen, D I, (2002), \textit{Vad, hur, och varför?}, p30-33
thoughts and feelings in an objective way bit that there always will be some sort of subjectivity and interpretation involved. Still even though I believe that some sort of subjectivity always will be involved I do not think that it should be left to have an uncontrolled influence on the study. By explaining my preconceptions, view of knowledge and scientific approach I have tried to control the subjectivity and reduce the risk for biases with the aim to end with a study that is as objective as it can possibly be.

The hermeneutic view of knowledge can be described by the hermeneutic spiral depicted below. Since this approach assumes that there are several different pictures of what we call reality and that different persons understand and interpret the same events differently the hermeneutic spiral can be seen as a symbol of the process where the phenomenon that is studied is continuously interpreted and reinterpreted. As for my study of how market segmentation is conducted by banks my interpretations and reinterpretations are later put into the greater picture of other researchers to deepen the knowledge and understanding of the subject.

![Figure 2: The hermeneutic spiral](image)

2.4 SCIENTIFIC APPROACH

Since there are different views of how to understand reality it should not be surprising that there also exist different views of what methods are best for studying this reality. Some people support the deductive methods where the researcher starts with getting the theoretical knowledge and then gathers empirical findings to see whether the expectations corresponds with the reality. The deductive methods are criticised for generating knowledge that is rather restricted and that there are risks that the research only leads to self-fulfilling prophecies because the people conducting the study only looks for information that they find interesting and which supports the expectation they had before starting the study.

Other people support the inductive methods were the researchers start with gathering empirical findings and then formulate theory. The ideal scenario for the inductive approach is when the researchers without any prior expectations gather information, work on the material and then come up with theory. The aim is that nothing should limit what information that is gathered and by so doing

knowledge that explains reality should be discovered. Criticism to this approach concerns the idea that it is practically impossible to study reality with a completely open mind and no prior expectations.\textsuperscript{48}

Although it can be rather convenient thinking about the linkage between reality and theory in forms of deductive and inductive scientific approaches the line between the two is not always that crystal clear. It is more appropriate to view these approaches as tendencies and not as clear-cut distinctions.\textsuperscript{49}

For me having a hermeneutic view of knowledge the inductive tendency would correspond best to my view of knowledge. The problem is that it is difficult to ignore existing theories. My scientific approach has therefore been an approach that has elements of both the deductive and inductive approaches best explained as some sort of alternation between theory and the empirical findings. The initial phase dealt with gathering information and theories that I thought could be relevant for getting a better understanding of the problem for the thesis. Thereafter the empirical studies were carried out and later interpreted and analysed for the generation of theory. However during the work some theories that I first thought would be relevant has been complemented with other theories and literature. This leads to an approach that moves back and forth between theory and the empirical findings commonly called an abductive scientific approach.\textsuperscript{50}

2.5 WORDS OR NUMBERS

Methods of data collection and analysis can be of a qualitative or quantitative nature, and they can also have elements of both. What they have in common is that they are used for the same purpose; to get a better understanding of the society we are living in and how individuals, companies and institutions behave and interact with each other.\textsuperscript{51} Even though the methods are used for the same purpose the methods themselves differ. The qualitative data collection methods can for example be in-depth interviews and observations and the central theme is the researchers’ understanding and interpretation of the phenomenon studied. The quantitative data collection methods can for example be the classic questionnaires with closed-end questions and experiments which transforms information into numbers that later are statistically analysed. Somewhat simplified one can say that the difference between the qualitative and quantitative approaches are what type of information is being gathered; words or numbers.\textsuperscript{52}

Since the central theme for this thesis was getting better understanding of the phenomenon studied by interpretations of the respondents’ words, the choice between qualitative and quantitative methods was relatively easy. I chose to use a qualitative data collection and analysis method and did in-depth interviews with the respondents chosen. The quantitative method was less suitable since the was not to transform information into numbers and look into whether the information gathered had general validity but instead to get a deeper understanding of the issue which motivated my choice of method. In-depth interviews are, in contrast to fixed answer questionnaires, rather flexible in nature and give the respondents the opportunity to lead the conversation and give their picture of the subject discussed. There is nothing though that says that the two different methods of data collection can not be used in the same study. Instead the study can benefit from the use of the both methods sometimes and lead to an improvement of the analysis since one method can compensate for the other’s weaknesses and vice versa.\textsuperscript{53}

2.6 LITERATURE REVIEW

\begin{itemize}
\item \textsuperscript{48} Jacobsen, D I, (2002), Vad, hur, och varför?, p43
\item \textsuperscript{49} Bryman, A, E, Bell, (2003), Business Research Methods, p13
\item \textsuperscript{50} Johansson Lindfors, M-B, (1993), Att utveckla kunskap, p154
\item \textsuperscript{51} Holme, I M, B, Solvang, (1997), Forskningsmetodik, p76
\item \textsuperscript{52} Jacobsen, D I, (2002), Vad, hur, och varför?, p38-39
\item \textsuperscript{53} Holme, I M, B, Solvang, (1997), Forskningsmetodik, p76
\end{itemize}
Before the actual research process starts the researcher usually studies what has been written about the subject previously to find knowledge in the form of theories and models stored in the written word. The theoretical review gives an overview of what has been written before, indications on gaps in the knowledge, the relevance in the problem statement, and so on.\textsuperscript{54}

When having decided on the topic for this thesis the search for literature that was thought to be relevant for the study was carried out. First more general information covering franchising, segmentation, and the bank sector were searched for in books and academic articles at the library of Umeå University using databases such as Album, Business Source Premier, Emerald, Science Direct, and Web of Science. As the work with the thesis progressed more specific information on these topics were gathered. Examples of search words used are; \textit{segmentation, bank, franchising, relationship marketing}, as well as different varieties and combinations of those words. Different internet pages of franchising organisations, such as the Swedish Franchise Association, have also been read in an attempt to understand the concept of franchising better as well as the internet pages of the Swedish Bank Association and Competition Authorities to understand the characteristics and development of the bank industry better. After having skimmed through and read several books and articles references from these books were also used for an extended search for literature.

The introduction of the internet has made the access to books and articles almost unlimited and the researcher therefore has to try to be systematic in the search for literature and other sources. Nowadays the difficulty is to know when to stop the search for literature. An appropriate break-point has been suggested to be when the search for literature reaches some sort of saturation and when further literature does not add something new.\textsuperscript{55} Considering the limited time for this thesis I believe this break-point was never reached for this thesis, but still enough for answering the problem statement.

\section*{2.7 CRITICISM TO LITERATURE USED}

For not distorting original theories the researcher should try to use first and secondary sources when reading and referring to what has been written about the subject of the study previously.\textsuperscript{56} In this thesis when discussing various theories I have tried to use the original source as much as possible to avoid misinterpretations which otherwise can be the case when using third-hand sources. Nevertheless in some cases I have used some third-hand sources when it has been difficult to find the original source. When some third-hand source has been considered I have tried to assess whether the source was serious enough for example if the author was a renowned researcher in the field.

My aim has been to use information from sources that I did find trustworthy and I have tried to have a critical viewpoint when reading and choosing theories for the theoretical framework. When being unsure about some theories I have tried to check them up and see whether the same information is given by other researchers to secure the validity of the sources. The internet pages that have been used has been pages that I believe is rather reliable such as the internet pages of Swedish Competition Authority, the Swedish Franchise Association, and the Swedish Bank Association. However one has to bear in mind that the information from these sorts of sources usually is not regarded as trustworthy as for example academic articles.

The topicality of the literature used has been considered trying to use only current articles and books. However literature that many seem to regard as classical works has not been ignored just because it was old since those books and articles can still be as current and relevant as ever. For example, I have used some articles from 1997 that is written by Edvardsson who is a well-known researcher in the field of services. Some articles from 1992 have also been used written by Zineldin since they discuss the development of the bank sector and history does usually not become out of date.

\textsuperscript{54} Backman, J, (1998), \textit{Rapporter och uppsatser}, p26
\textsuperscript{55} Johansson Lindfors, M-B, (1993), \textit{Att utveckla kunskap}, p88
\textsuperscript{56} Ibid, p88-89
3 FRAME OF REFERENCE

The following chapter is the theoretical review of what has been written before about the subject. It will form the basis for the empirical analysis and the conclusions drawn later on. Banks are providers of financial services and products. Therefore for better comprehension of the following chapters and sections the definition, characteristics and classifications of the term service will first be introduced as well as the specific characteristics of banks. After those introducing parts new business opportunities together with relationships and market segmentation will be discussed. The chapter will be finished off with a summarising model of the theoretical framework.

3.1 SERVICES

Services are complex phenomena and can therefore be difficult to define and describe. There are often discussions over whether there are differences between goods and services, and if there are, how to define services, what implications it has for marketing, and so on.

3.1.1 The Service Definition

The most frequently mentioned element in the different definitions of services is their process nature. The Nordic school of service marketing for example quite early on established that the feature that clearly distinguishes services from physical goods is exactly this process nature. They argue that services occur in “open” processes where customers participate as co-producers and therefore directly can be influenced by the progress of these service processes. This school state that physical goods on the other hand have traditionally been produced in “closed” production processes where customers only experiences the products as the outcomes of the processes. Due to the services’ nature the consumption and production for services are as least to some extent simultaneous processes and the providers of services are therefore at to some extent a part of the consumption phase as well as the usual production phase.\(^{(57)}\)

Zeithaml and Bitner emphasise that services are “deeds, processes, and performances and not (physical) objects with embedded qualities in the product features”.\(^{(58)}\) This explanation is similar to Lusch and Vargo’s definition which define services as “the application of specialised competences (knowledge and skills), through deeds, processes, and performances for the benefit of another entity or the entity itself”.\(^{(59)}\)

Another service researcher Edvardsson also mentions and points out the process nature of services which differs from the production processes of goods. He explains that the production processes for products usually occur at a time and place without the presence or participation of the customer in contrast to the production of services where the customer often is co-producer and experiences what takes place in the “service factory”. Edvardsson views services as an element of the wider concept of products and states that “a product can consist of goods, services, computer software, or maybe more commonly a combination of these” and argues that production means creating added value, meaning that the value of the outcome is larger than the costs of the resources used in the production process.\(^{(60)}\)

Other definitions suggest that services are to be provided as solutions to customer problems.\(^{(61)}\) Grönroos for example describes services as “as an activity or series of activities of a more or less intangible nature that normally, but not necessarily, take place in the interaction between the

\(^{(57)}\) Grönroos, C, (2006), Adopting a service logic for marketing, p317-333
\(^{(58)}\) Zeithaml, V, et.al, (2006), Services Marketing: integrating customer focus across the firm, p5
\(^{(59)}\) Lusch, R, S. Vargo, Service-dominant logic: reactions, reflections and refinements, pp281-288
\(^{(60)}\) Edvardsson, B, (1997), Quality in new service development: Key concepts and a frame of reference, pp31-46
\(^{(61)}\) Edvardsson, B, A, Gustafsson, I, Roos, (2005), Service portraits in service research: a critical review, pp107-121
customer and the service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems”.

3.1.2 Service Characteristics

Much of the discussions concerning the difference between products and services have centred on whether their characteristics differ and what consequences that can have for marketing. Services have been suggested have four characteristics that separates them from products usually called the concept of IHIP; intangibility, heterogeneity, inseparability, and perishability. Heterogeneity stands for the difficulty of standardisation of services in comparison to products; inseparability symbolizes the simultaneous production and consumption of services in comparison with the sequential nature of production and consumption that characterises physical products; and perishability represents the relative difficulty with stockpiling services.

In recent years there have been discussion to whether these four characteristics are unique to services only and they have sometimes been said to be too simplistic to fully capture the nature of the services offering. It has been suggested that these characteristics should not be seen as unique to services but also relevant to describe products, since “all products are services” and that economic exchange is fundamentally about service provision. The distinctions between products and services are also becoming more and more blurred. Customer contacts in industries dominated by products are becoming more similar to industries dominated by services including continuing processes and interactions. When buying a car the customer free service might be included during a limited period of time. That will say the service component is increasing. In a similar manner the product components of services industries are increasing, for example when banks provide product leaflets and things when giving economical advice.

Some researchers want to drop these four commonly used characteristics that distinguish services from products marketing and to eliminate the product versus service distinction all together. There are also discussions to whether there is such a thing as a pure services or a pure good. Arguing that services and goods should be described as a continuum where the service and product component can be a major or minor part of the total offering. Suggesting that services tend to be more heterogeneous, more intangible, more difficult to evaluate than goods but not saying that the differences between goods and services by any means are black and white.

3.1.3 Classification of Services

If all businesses are more or less service businesses providing total service offerings there is great diversity in the characteristics of different services. Various classifications schemes for services have been suggested by researchers. Grönroos has for example come up with two classification schemes called “high-touch or high-tech” and “continually or discrete”. The financial services of banks will here be discussed in the light of these two schemes.

Starting with the first scheme classifying services on whether they are more high-touch or high-tech services. High-touch services are often more dependent on personnel in the service process while high-
tech services are more based on automatic systems, information technology, and other physical resources. According to this way of classifying services banks would be providing more of high-touch services having the personnel as their more important resource in the service process even though banks are nowadays using more and more technology in the contact with customers.\footnote{Grönroos, C, (2004), \textit{Service Management and Marknadsföring – en CRM ansats}, p62}

The other classification scheme regards whether the services are produced in a continual or discrete process. Banks financial services are often a continual flow of interactions during a long period of time between customers and the service provider and could therefore be classified as continuously rendered services. Because of this continual characteristic of continual rendered services they give a good opportunity for the development of relationships, which will later be discussed in the thesis. Providers of discretely rendered services, such as hotels and restaurants, have more difficulties with creating relationships that the customers appreciates and find valuable even though it is considered a profitable strategy for the providers.\footnote{Ibid, p63} These classification schemes should however also be seen as continuums with services going from being more high-touch dominant to more high-tech dominant.\footnote{Ibid, p62}

After this discussion over services and their definitions, characteristics, and classifications, the business of banks can be described as a services business selling high-touch and continuous dominant total service offerings.

### 3.2 BANKS

The service industry consist of companies whose core product is a service, and financial institutions such as banks belongs to this industry.\footnote{Zeithaml, et al, (2006), \textit{Services Marketing: integrating customer focus across the firm}, p5} Even though financial institutions have some common characteristics banks have their distinctive characteristics for example that they are strictly regulated by law and often have special relationships with their customers.\footnote{Ibid, p5}

One distinguishing characteristics that makes banks different from other service companies is that banks are fiduciaries, i.e. companies that are legally appointed and authorised to hold assets in trust for beneficiaries. That means that the banks’ inventory belongs to the depositors and the depositors have the right to withdraw the money whenever they like to.\footnote{Ibid, p2}

Another characteristic that makes banks different is that they are authorised by the law to function as a storehouse for citizens’ money and authorised to use these money for useful purposes. Banks can therefore not overlook or hide from this responsibility that they are given.\footnote{Ibid, p2} The Swedish bank- and credit market is regulated by several laws and regulations. Four of the most important laws that regulate the banking business are; Lag (2004:297) om bank- och finansieringsrörelse, Bankaktiebolagslag (1987:618), Sparbankslag (1987:619), and Lag (1995:1570) om medlemsbanker.\footnote{Finansinspektionen, (2006-12-12), http://www.fi.se/}

There are usually two main objectives for governments with laws and regulations of the bank markets. One is that they want to guarantee deposits to avoid a “bank run” like the one in the USA in 1930 when people tried to withdraw all their savings from the banks. The Swedish state as well as other states have therefore declared themselves as a “lender of last resort” which means that the state guarantees deposits up to 250 000 SEK at banks that have been granted “oktroj”. Another objective for governments’ control of the bank markets is that banks, by supplying loans, contribute to companies’ and the economy’s growth. As a result, to achieve stability on the market and to minimise the risks that the states take with their engagement, the banks have traditionally been protected by high entry barriers and therefore limited numbers of players, i.e. oligopoly market situation. After the
deregulation of the bank markets in the 1980s banks have however been exposed to an increased competition.  

A third distinguishing characteristic is that banks are expected to minimise the risk before maximising profits. Since banks are sellers of debt, i.e. are lending money to individual persons and companies, they have to consider that the sales of debt must always be made in response to the actual need of the customers. They can not use marketing strategies that tries to create a market for debt where no one really exists.

Banks also have to be ready to provide their customers in good times as well as bad times, for example they have to supply loans when the interest rates are high as well as low. When marketing manager in other industries can cut their losses and take products off the market if running at a loss, bank managers can not decide to stop accepting deposits or lending money to individuals or companies just because the level of the interest rate, etc.

Purchase of financial services are commonly characterised of a high degree of information asymmetry between the buyers and seller. The financial services that banks are offering are long-term investments, rather heterogeneous and complicated to understand, and this makes it rather difficult for consumers to get enough knowledge about them in order to understand and make decisions. However there is a difference between retail and corporate banking business. Corporate business buyers are often more or less professional buyers and more experienced and knowledgeable about the products, services and the complete purchasing process, especially the large companies have their financial departments that deal with the contact with banks. Still, small companies consisting of two or more people might not be that experienced and knowledgeable.

One explanation to the problem of asymmetric information together with the buyers’ reliance on experience and reliability features when buying and consuming financial services is the intangibility characteristic that they have. Financial services are more of an experience than just a physical product and when buying financial services one element of the total offering is the advices given on top of the product qualities themselves.

3.3 NEW BUSINESS OPPORTUNITIES

Many companies are at some point in their lifecycle looking for how to grow their business and therefore looking at growth opportunities. Evaluating different growth opportunities involves reviewing and planning new businesses, downsizing, or terminating old businesses. Banks and other large companies usually operate in many markets at the same time and therefore follow a combination of several different strategies.

All these strategies need the effective care of relationships and that is one of the most important issues facing banks today. Companies can not successfully deal with all customers a general way, instead many researchers recommend that companies should segment their market according to the different needs and requirements of the corporate and individual customers and to see the potential markets as networks of relationships. Each of these relationships has to be considered according to the opportunity it represents and how it can be developed.

---

80 Eriksson, K, (red.), (2006), Utveckling av kundrelationer inom bank- och finansmarknader, p252
81 Zineldin, M, (1992), Bank-Corporate Client Interactions and Relationships, p2
82 Devlin, J, C T. Ennew, (1997), Understanding competitive advantages in retail financial services, pp73-82
83 Åkerlund, H, (2005), Fading customer relationships in professional services, pp156-171
85 Devlin, J, C T. Ennew, (1997), Understanding competitive advantages in retail financial services, pp73-82
87 Kasper, H, P. van Helsdingen, (2006), Services Marketing Management, p240
88 Turnbull, P, T. Moustakatos, (1996), Marketing and investment banking II: relationships and competitive advantage, pp38-49
3.4 BUILDING RELATIONSHIPS

As the competition in the banking market is increasing banks are also more and more realising the potential with building long-term relationships with different customer groups.89

3.4.1 Bank-to-Business Relationships

The relationship between banks and their corporate customers are often considered as much closer than the relationship between the bank and customers on the retail banking market. The corporate customers often have more complex operations with high frequency of transactions, involving large amounts of money, and often consisting of multiple relationships with banks. All this makes the corporate business banking very appropriate for relationship marketing.90

Strong relationships between banks and corporate customers are argued to have advantages for both the banks and their corporate customers. Advantages for the banks with strong relationships are assumed to be possibilities to maximize profits by reducing the risks, improved information flow, more satisfied customers and enhanced loyalty. For the customers advantages are assumed to be better access to finance, more advantageous rates on loans, higher perceived quality of service, less stress, the avoidance of switching costs, and increased convenience.91

Researchers suggest that the reasons for the customer loyalty previously were customer inertia and the seemingly lack of brand differentiation and competition on the bank markets. With the increasing competition it is however said to be foolish of the financial service providers to continue to assume that customer inertia is caused by a lack of customer involvement or interest in financial services when in reality the lack of better alternatives probably is the most likely barrier to customer pro-activity nowadays.92

Corporate banking customers are believed to a greater extent today establishing relationships with more than one financial service provider. The motives for this can be to achieve more anonymity, flexibility, and better rates.93 Especially the larger corporate customers are less likely to show dependence on only one bank and there are researchers that show that there are companies that do business with as many as five financial institutions, even though only one of them is seen as the most important bank.94

3.4.2 A Relationship Marketing Perspective

The relationship marketing perspective is based on the idea that in addition to the value that the products and services that is being exchanged bring, the existence of a relationship creates added value to the customer and the provider. The focus of relations and the relationship perspective is however not something new but most likely dates back to the early days of trade. From the early 1980s this “new” perspective and view of marketing has however developed and the term “relationship marketing” was not established until 1983 when Berry introduced it.95

Relationship marketing can be described in many different ways, for example when Berry first introduced the term it was defined as the process if “attaching, maintaining and enhancing customer

---

90 Ibid, pp273-284
92 O’Loughlin, D, I, Szmigin, P, Turnbull, (2004), From relationships to experiences in retail financial services, pp522-539
93 Ibid, pp522-539
95 Grönroos, C, (2004), The relationship marketing process: communication, interaction, dialogue, value, pp99-113
Grönroos’ definition of relationship marketing is “the process of identifying and establishing, maintaining, enhancing, and when necessary terminating relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, where this is done by a mutual giving and fulfilment of promises”. A suggestion for a definition of relationship marketing in the banking business is “recognition that the bank can increase its earnings by maximising the profitability of the total customer relationship over time, rather than seeking to extract the most profit from any individual product or transaction”.

Well, most definitions imply that relationship marketing is first and foremost a process which companies have to work on continuously.

The relationship marketing is essentially a paradigm shift within marketing moving away the attention on acquisition and transactions more towards retention and relationships. This philosophy builds on the assumption that it is usually much cheaper to keep existing customers than to acquiring new ones.

The development has been lead by two schools of thought; the Nordic school of services, which has looked at the management and marketing from a service perspective, and the IMP Group, which have taken more of a network and interaction approach to understand industrial businesses. The common denominator of these two schools of thought is that marketing is more of a management issue than a function for the marketing department together with that managing marketing has to be built on relationships rather than transactions. I think these two schools of thoughts have given valuable input to the marketing discipline and believe that relationships should be the core of the marketing process.

Relationships between two parties are believed to lead to improved connectedness and value for both, that will say a win-win situation. This win-win situation with relationship marketing perspective for both the financial service provider and their customers is frequently cited. Benefits for the providers are supposed to be the ability to maximise profits by reducing risk, improved information flow, more satisfied customers, and enhanced loyalty. For the buyers of financial services benefits are supposed to be greater access to finance, higher perceived quality of service, favourable rates on loans, reduced stress, avoidance of switching costs, and increased convenience. However if the relationships are to develop positively the customers have to experience benefits from the relation and perceive the relationship valuable enough to say in.

Relationship marketing is assumed to work best when the customers are highly involved in the good or service, when there is personal interaction, and the customers are willing to engage in relationship building activities, and when the services or products sold are characterised as complex, high-risk, and long-term services or products. Even though it is said that relationship marketing is not appropriate for all consumer markets it is suggested to suit most services businesses including the banking businesses due to the characteristics of the services sold.

96 O’Loughlin, D, I, Szmigin, P. Turnbull, (2004), From relationships to experiences in retail financial services, pp522-539
100 Dibb, S, M. Meadows, (Jan 2001), The application of a relationship marketing perspective in retail banking, pp169-194
101 Grönroos, C, (2004), The relationship marketing process: communication, interaction, dialogue, value, pp99-113
105 O’Loughlin, D, I, Szmigin, P. Turnbull, (2004), From relationships to experiences in retail financial services, pp522-539
106 Ibid, pp522-539
In the beginning of the life-cycle of relationships the parties seek to get to know each other and also to make an assessment of the potential relationship. In corporate banking there is often a difference in the nature of the relationship depending on the size of the corporate business customer. There has for example been established that as companies expand their business their financial needs increase in complexity and so does also their bargaining power in the bank-customer relationship. Small companies are instead more dependent and wish closer more socially based relationships with their banks.\textsuperscript{107}

Even though aiming at a relationship marketing perspective it is important that relationships differ and have to differ and that it is not always appropriate or possible for companies with large customer basis to have close relationships with every customer.\textsuperscript{108}

When hearing about the benefits with long-term relationships one might think that companies would never want to refuse or terminate a relationship but in some cases it is preferable for both the customer and the company not to engage in a long-term relationship. For example if the customer is not from the right target segment since it would not be beneficial for the company and the customer to establish a relationship with customers whose needs the company can not meet. Another example where rejection of a long-term relationship would be appropriate is when the customer is an unprofitable customer.\textsuperscript{109} Also since engagements in different segments probably will not result in similar returns, the extent and scope of the relationship will also probably be different for different customer segments and lead to different levels of relationship closeness and strength.\textsuperscript{110}

Customers for different reasons might also not want to engage in relationships, in fact it has been suggested that close customer relationships in banking are rather rare.\textsuperscript{111} In some situations customers might be more willing to accept a relational contact with a firm whereas others might only want to have a transactional contact in some situations. Customers might sometimes be in a relational mode or in a transactional mode, and the customers in a relational mode might either be in an active or passive relational mode. Customers in an active mode seek contact whereas customers in a passive mode are satisfied with the understanding that if needed the firm will be there for them.\textsuperscript{112}

It may be neither possible nor profitable to create close, personal and long-term relationships with all consumers and a combined transactional and relationship marketing approach may be necessary in order to recruit new customers and retain existing ones.\textsuperscript{113}

With the case study of Swedbank and their work with establishing whether franchisees could be a new segment for them this thesis looks into how banks segment the market. Banks as well as other companies in their struggle for attracting new customers as well as retaining and enhancing relationships with existing customers companies use market segmentation trying to find new business opportunities by attracting new customers and enhancing the relationship with their existing customers.\textsuperscript{114}

\textbf{3.5 SEGMENTATION}

\textsuperscript{109} Zeithamle, V, M. Bitner, (2006), \textit{Services Marketing; integrating customer focus across the firm}, p203
\textsuperscript{111} Ibid, pp232-251
\textsuperscript{112} Grönroos, C, (2004), \textit{The relationship marketing process: communication, interaction, dialogue, value}, pp99-113
\textsuperscript{113} O’Loughlin, D, I, Szmigin, P. Turnbull, (2004), \textit{From relationships to experiences in retail financial services}, pp522-539
\textsuperscript{114} Storbacka, K, (1997), \textit{Segmentation based on customer profitability – retrospective analysis of retail bank customer bases}, pp479-492
Markets consist of customers that have varying needs and buying behaviour and for most companies it is not realistic to try to satisfy all those needs because the customers are too many having too different needs and buying behaviour.\textsuperscript{115} The aim with market segmentation instead is to overcome the conflict between the intentions to satisfy the customers’ needs as individually as possible and to allocate marketing resources as economically as possible.\textsuperscript{116}

Market segmentation can be defined as “to identify and profile distinct groups of buyers who differ in their needs and preferences” and segments are therefore distinct groups of buyers who differ in their needs and preference.\textsuperscript{117}

Companies try to segment their markets by identifying groups of persons with needs and wants that are as similar as possible within each group and dissimilar as possible between each group.\textsuperscript{118} When having segmented the market many companies are not trying to serve all segments but are instead selecting a few key segments and focusing on trying to serve them better than competitors. It is believed that if market segmentation is exercised effectively it is should help developing and maintaining an edge over competitors.\textsuperscript{119} Since markets and their environments are continuously changing market segmentation has to be an ongoing process for companies.\textsuperscript{120}

Advocates of market segmentation suggest that market segmentation can bring about many benefits for companies such as better understanding of customers’ needs and wants, more positive responses on the product and service offer, more satisfied customers, more efficient use of company resources, clearer identification of market opportunities, and more attuned marketing programmes.\textsuperscript{121}

When conducting market segmentation the companies however have to keep in mind that market segments are made up of a group of customers who have some sort of similar needs and buying behaviour.\textsuperscript{122} They have to be aware that segments must be meaningful to customers and not just for the company. There is a risk that some companies just see segmentation as a convenient way of divide up their markets into more manageable divisions and although this approach might provide the company with some operational benefits the company will not be able to get the benefits associated with segmentation. For example, the company may not be possible to develop an attractive and distinct marketing programme for the particular segments.\textsuperscript{123}

Companies from all sorts of industries use market segmentation when planning and conducting marketing and other strategic issues.\textsuperscript{124} Some specific characteristics of the market of the finance industry make them especially suitable for market segmentation, for example the diverse customer base with varying needs and buying behaviour. However although these characteristics and the benefits that market segmentation can bring for the companies the finance industry has been rather slow at taking advantage of market segmentation. In fact they have been much slower than many other industries.\textsuperscript{125} Along with the changing and the increasingly more competitive market environment for financial service providers such as banks has resulted in some growing interest in market segmentation.\textsuperscript{126}

\textsuperscript{116} Machauer, A, S. Morgner, (2001), \textit{Segmentation of bank customers by expected benefits and attitudes}, pp6-17
\textsuperscript{117} Kotler, P, K L. Keller, (2006), \textit{Marketing Management}, p239-240
\textsuperscript{118} Ibid, p239-240
\textsuperscript{119} Zineldin, M, T, Bredenlöw, (2001), \textit{Performance measurement and management control positioning strategies, quality and productivity: a case study of a Swedish bank}, pp484-499
\textsuperscript{120} Kotler, P, K L. Keller, (2006), \textit{Marketing Management}, p239-240
\textsuperscript{121} Dibb, S, P. Stern, R. Wensley, (2002), \textit{Marketing knowledge and the value of segmentation}, pp 113-119
\textsuperscript{122} Kotler, P, K L. Keller, (2006), \textit{Marketing Management}, p240
\textsuperscript{124} Ibid, pp394-406
\textsuperscript{125} Meadows, M. S. Dibb, (1998), \textit{Assessing the implementation of market segmentation in retail financial services}, pp 266-285
\textsuperscript{126} Ibid, pp 266-285
3.5.1 Segmentation Variables

Companies have many variables to use, alone or in combinations, when trying to find the best way to view their markets. Often researchers group the different segmentation variables into four broad categories; geographic variables, demographic variables, psychographic variables, and behavioural variables. The geographic variables divide the market into different geographical units such as states, regions, counties, and cities. The demographic variables divide the market into different groups on the basis of variables such as age, family size, family life cycle, gender, income, occupation, education, religion, race, generation, nationality, and social class. Psychographic variables divided buyers into different groups based on psychographic variables such as psychographical/personality traits, lifestyle and values. The behavioural variables divide the buyers into groups based on their knowledge of, attitude toward, usage of, or response to a product.\textsuperscript{127}

Business markets with the corporate customers usually have some characteristics that make them different from the consumer markets with individuals. One example of this is that companies offering their products and services to these business markets usually deal with fewer and larger buyers than other companies. Because of the companies’ smaller customer bases and the greater importance and power of the larger customers they are often expected to customise their offerings more to the customers’ individual needs. The relationships between the providers and their customers in business markets are therefore often also closer. Business markets can be segmented with the same variables used when segmenting consumer markets, but companies offering their products to the business markets also use other variables such as operating variables, purchasing approaches, situational factors, and personal characteristics.\textsuperscript{128}

Many companies also segment markets by combining two or more of the variables mentioned above called multivariate segmentation. Since multivariate segments are made up of more variables they often gives a fuller picture of the buyers than segments based on only one variable.\textsuperscript{129}

3.5.2 Segmentation Methods

Segmentation methods of how to segment the market can be described as falling into two areas; \textit{a priori} segmentation and \textit{post hoc} segmentation. With the \textit{a priori} approaches to segmentation one first chooses a basis for segmentation, such as product ownership or usage, and after that the results from some study provides estimates of for example segment size and the characteristics in terms of demographics, etc. Most of the segmentation research in financial services has been \textit{a priori} in nature often concentrating only at one variable at a time and using mostly demographic variables.

There is however some problems with this approach to segmentation for instance that with a prior approach one is often only possible to examine and describe the external characteristics of the selected segment. However these characteristics might not necessarily have a decisive influence of the buying behaviour, the buying behaviour which is of great importance for companies and what companies want to understand.\textsuperscript{130} Much discussion the last couple of years have centred on the role of demographic, geographic, and psychographic variables and whether they can be determinants or even correlates of customers’ buying behaviour. According to these researchers there are for example some demographic patterns in the buying behaviour such as razor blades are mostly purchased for men, but that apart from this they argue that the demographic variables are not good predictors of the buying


\textsuperscript{128} Ibid, p258-259

\textsuperscript{129} Ibid, p247-254

\textsuperscript{130} Harrison, T, (1994), \textit{Mapping customer segments for personal financial services} pp17-25
behaviour.\textsuperscript{131} Segmentation approaches based on demographic, geographic, and psychographic variables are more likely to be more descriptive than predictive.\textsuperscript{132}

The a priori approaches to market segmentation discussed above are useful to locate and describe segments. However, these approaches are all based on a retroactively analysis of the people who make up specific segments of a market and with these methods one can not find out what causes the segments to develop. The buying behaviour does not determine membership of a segment since one first find the segments and then look at the members of the segments’ behaviour, instead of first identifying some sort of behaviour and then finds out what kind of people are grouped in the segment.\textsuperscript{133}

The other approach to market segmentation, which has gained less attention because of the need of sophisticated statistical and computer equipments, is that of post hoc segmentation. By using these methods one divides the market into segments based on their responses to some sort of survey.\textsuperscript{134} Behavioural variables, such as benefits, attitudes, occasions, user status, usage rate, loyalty status, and buyer-readiness stage, are often used for post hoc methods of segmentation since they are suggested to be a better starting point for segmentation since these dimensions are assumed to better forecast causal relationship of future buyer behaviour.\textsuperscript{135} The problem with the post hoc methods is the difficulty getting access the segments found since the link between the results and the characteristics of individuals in terms of demographics are often weak and not distinguishing between dependent and independent variables.\textsuperscript{136}

Banks have often used a priori segmentation approach and used geographic, demographic, socio-economic and psychographic variables to segment their markets. For example corporate customers have been distinguished by their geographic location or industry membership, whereas the retail banking customers have mostly been distinguished by variables such as profession, age, income, and wealth. However, as mentioned previously, these variables have been found to be poor predictors of future buying behaviour. For example, differences in the buying behaviour and needs of financial products and services do not differ along regional areas.\textsuperscript{137} The use of behavioural segmentation variables has become more and more common for banks. Examples of when banks use behavioural segmentation is when they use variables such as the individuals’ own perceived knowledge and understanding, the perceived confidence and ability in dealing with financial matters, and the expressed level of interest in financial services.\textsuperscript{138}

The idea of market segmentation has long with the transaction marketing philosophy been that segments can go from being on a very general level to a more specific level by breaking down the customer bases until the segments are acceptable according to some sort of criteria; in other words a break-down approach. With the increasing acceptance of the relationship marketing philosophy some researchers have suggested that it would be more suitable to start from the idea that the buyers are unique and different and that the task then is to find similarities between them going from the specific level to a more general level until the segment is acceptable according to the criteria set up; in other words a build-up approach.\textsuperscript{139}

\textsuperscript{131} Minhas, R S, E M. Jacobs, (1996), \textit{Benefit segmentation by factor analysis: an improved method of targeting customers for financial services}, pp 3-13
\textsuperscript{132} Elliott, G, W. Glynn, (Jul1998), \textit{Segmenting financial services markets for customer relationships: a portfolio-based approach}, pp38-54
\textsuperscript{133} Minhas, R S, E M. Jacobs, (1996), \textit{Benefit segmentation by factor analysis: an improved method of targeting customers for financial services}, pp 3-13
\textsuperscript{134} Harrison, T, (1994), \textit{Mapping customer segments for personal financial services}, pp17-25
\textsuperscript{135} Machauer, A, S. Morgner, (2001), \textit{Segmentation of bank customers by expected benefits and attitudes}, pp6-17
\textsuperscript{136} Harrison, T, (1994), \textit{Mapping customer segments for personal financial services}, pp17-25
\textsuperscript{138} Machauer, A, S. Morgner, (2001), \textit{Segmentation of bank customers by expected benefits and attitudes}, pp6-17
\textsuperscript{139} Freytag, P V, A. Hojbjerg Clarke, (2001), \textit{Business to Business Market Segmentation}, pp473-486
Below is a figure describing the transaction marketing break-down approach and the relationship marketing build-up approach.

**Figure 3: Relationship marketing - Build-up approach**

### 3.5.3 Segmentation Criteria

If market segmentation is to be useful for companies they have to realise that all ways of segmenting a market is equally successful. For example, banks would benefit little by differentiate between male and female customers if gender is irrelevant to the purchase of financial services. Segmentation is also not effective if the market the business is operating in is not in fact heterogeneous but totally homogenous in their needs, wants, and buying behaviour.\(^{141}\)

Different segmentation criteria can be used for ending up with segments that are effective and useful. Many researchers however mentions that segments have to be; measurable (the size, purchasing power, or characteristics can be measured), substantial (the segments are large and profitable enough to serve), accessible (the segments can be effectively reached and served), differentiable (the segments are definite and respond differently to different marketing strategies), and actionable (effective programmes can be formulated for attracting and serving the segments) for being effective.\(^{142}\)

After the company has identified the market segment opportunities for its business it has to decide how many and which ones to target and build relationships with. A bank can choose to concentrate only on one segment for example wealthy people, a selective specialisation and select a number of segments for example students and retired people, a product specialisation and make certain products that it sells to several different market segments for example house loans, or a full market coverage and attempt to serve all customer groups with all products and services they might need in an undifferentiated or differentiated marketing strategy.\(^{143}\) Universal banks such as Swedbank often choose to operate in all segments of the market but design separate marketing mixes with various products and services for each segment.\(^{144}\)

Below is simple model that attempts to give the reader a summarisation of the theoretical framework. Banks use market segmentation to find segments that they can provide with distinct marketing programmes, products and services, and build relations with. The customers of the bank then evaluate the relation and the products and services. If the customers are satisfied they probably continue being customers of the bank, if not satisfied they might change bank.

---


\(^{141}\) Kotler, et al. (2002), *Principles of Marketing*, pp95


\(^{144}\) Garland, R, (2005), *Segmenting retail banking customers*, pp179-191
Figure 5: Summarising Figure of the Theoretical Framework
4 PRACTICAL METHOD

In this chapter I describe the procedure of gathering the empirical information which will be presented in the next chapter. The first part explains how the respondents were chosen for the qualitative interviews. Thereafter are the development of the interview manual discussed and the performance of the interviews. The final sections of the chapter the processing of the interviews are presented as well as some evaluation of the primary sources.

4.1 SELECTION OF RESPONDENTS

In order to achieve greater understanding of the subject for this thesis I choose to carry out qualitative in-depth interviews with one bank and eight of franchisees. I thought it would be reasonable number of interviews and give a fairly good basis for the empirical findings and analysis. However if there would not be any restrictions regarding time and money at all researchers would probably try to interview as many as possible to get as much relevant information as possible.145

The overall goal with qualitative interviews is to get deeper understanding of the studied phenomenon.146 It is therefore of importance to have as many different groups of respondents as possible to make as many different aspects of the phenomenon as possible noticeable to make the creation of theory under development as comprehensive as possible.147 When conducting qualitative interviews the respondents should therefore not be chosen randomly but more systematically from chosen criteria theoretically or strategically defined.148 Therefore when thinking about what respondents to choose to interview this was something I had to consider.

I decided first to restrict the selection frame to those franchise systems present in Umeå due to the time and money restraints I had. After that I decided to limit the selection frame further by only considering franchisees that were members of the Swedish Franchise Association. The reason for this decision was that I thought that banks usually are more interested in companies with good economy and ethical businesses and that the study therefore would gain more value for the bank from this limitation of the selection frame. Being a member of the Swedish Franchise Association is therefore by many seen as a sign of quality and that the franchise system is serious and treats its franchisees fairly.149 I am aware that this choice and the reasons behind it might be questioned and aware that some empirical findings could have been different if another selection frame had been chosen. For example there could be a possibility that interviews with franchisees not being members of the Swedish Franchise Association that have a contract that favours the franchisor might would had expressed more negative attitudes towards the idea of increased interference from the franchisor in the contact with banks. As a parenthesis I am not saying that all franchise systems that are not members of the Swedish Franchise Association are inferior or non-serious systems.

Three franchise companies present in Umeå were also not considered as potential interview objects since they belonged to companies that operate their own banks and therefore most probably not being interesting as potential customers to other banks. In addition, they would thus most likely not be able to answer the questions found relevant for this study and for that reason not included in the selection frame. After this limitation the selection frame I was about to chose respondents from consisted of twenty-three companies.

Since the aim with the study was to find a wide variety of opinions and thoughts I chose to divide the selection frame into groups according to some criterions that I thought would give the empirical

---

146 Holme, I M, Solvang, B, (1997), Forskningsmetodik, p101
147 Johansson Lindfors, M-B, (1993), Att utveckla kunskap, p100
149 Svenska Franchise Föreningen, (200-12-12), http://www.franchiseforeningen.se/
material the interesting breadth and spread. One could divide the group of different franchise systems in various ways and I decided to divide the sample frame into groups according to different branches, size of the franchise system, and whether the franchise system consisted of more or less franchisees in comparison to wholly-owned branches.

The next step was to choose the actual respondent for the interviews. The respondents are of great importance to the study since different respondents will probably give different answers due to their work tasks at the company, personality, personal experiences, and so on. It is therefore important that the researcher tries to find the person most suitable for the interview. Since this study focuses on franchisee I wanted to interview the franchisee and not employees working for the company. The week before Christmas I contacted the selected companies, presented myself and my study, and asked for a possible interview with the franchisee or one of the franchisees. At this time of the year many of the franchisees had much to do and were not available for interviews and as a consequence I had to contact several of the companies before having eight franchisees available for an interview.

For the interview with the bank I wanted to find a person that was well familiarised and knowledgeable about franchise systems and the segmentation process. I therefore contacted the person from the bank commissioning the research subject and asked for a suggestion of an appropriate person to interview. Criticism to the choice of respondents can be found in section 4.5 Criticism to Primary Sources.

4.2 INTERVIEW GUIDE

When the selection of respondents was done an interview guide consisting of questions about the research area was designed. The objective with in-depth interviews is to make unconscious thoughts and experiences of a certain phenomena accessible and make the respondents with their language express their personal understanding and experiences. Having the research question and theoretical framework in mind I wanted to discuss some themes with the respondents and therefore tried to create an interview guide with semi-structured questions so that these themes would be covered during the interviews.

I tried to keep the interviews open and let the respondents talk freely about the themes I wanted to cover. All the themes in the interview guide were covered in all interviews even though the order of the questions was not always the same and questions and follow-up questions were tried to be kept in an order that became natural for the conversation. I believe that I had relaxed conversations with all the respondents and that they had both time and the opportunity to express their experiences and opinions. The complete interview guides can be found in Appendix A and B.

4.3 THE INTERVIEWS AND INFORMATION PROCESSING

The interviews took place at the premises of the respondents; all eight interviews with the franchisees in Umeå and the interview with the representative for the bank in Stockholm. Since the respondents chose the place for the interviews I believe they felt rather comfortable with the setting. The interviews were between fifty minutes and one hour and twenty minutes long each.

Since the purpose with the in-depth interview is to get access to information it is suggested to be important creating and maintaining the respondents’ trust during the interview. When I first contacted the companies, and at the time for the interviews, I therefore presented myself and the subject for the thesis so that they knew what the interviews would cover. The risk is otherwise that the respondents agree to an interview but at the time of the interview do not want to talk about the subject and as a result the purpose for the interview will not be reached. Another important factor for the access to

---

151 Holme, I M, Solvang, B, (1997), Forskningsmetodik, p104
152 Johansson Lindfors, M-B, (1993), Att utveckla kunskap, p120-121
information is that the respondents feel comfortable with the situation since if the respondents do not feel confident during the interview they will probably not tell the interviewer all there is to say about the subject. General questions were therefore asked in the beginning of the interviews together with the more non-sensitive questions.

It was also explained to the respondents that it did not matter to the thesis what bank they had since the questions regarding their banks would be interpreted as banks in general. I also explained that all the respondents would be anonymous. Some of the questions could be perceived as rather sensitive and I therefore thought as Johansson Lindfors also suggests that the respondents might sometimes give more exhaustive answers if granted anonymity.

When doing qualitative interviews is another problem the problem with misunderstandings and misinterpretation that can take place between the interviewer and the respondents. To reduce these factors I used a MP3-player when doing the interviews and I could therefore concentrate on what the respondent said during the interview and could be more active than would have been the case if I had to concentrate on writing down every word that was said. Another benefit with the recorder is that I have been able to write down the interview in full and in that way probably reduced the misunderstanding that could have happened if having only notes from the interview. Recorders can however also have had negative affects on the interview if the respondent feels uncomfortable with the recorder. However since I asked whether using the recorder was ok with the respondents I assume recording the conversation had no or little effect on the interview result.

4.4 CRITICISM OF PRIMARY SOURCES

Since the aim of this thesis is to understand a phenomenon and to some extent generate theory which is built on the empirical findings I find it important to reflect on the primary sources for this study.

When doing interviews the answers might be different depending on with whom you are talking to and it is therefore important to find the right person to do the interview with, for example if you are going to look into the decision making process in companies one would assume that it is best to talk to the person taking the decisions in the firm. It could be the manager, the manager’s wife, financial officer, or someone else. The “right” persons for the interviews in this study I thought was franchisees and not just someone working for the company. There could have been a problem for this study if they were more than one franchisee and I happened to do the interview with the least knowledgeable or least familiar with the topic, however that did not seem to be the case since all respondents talked and answered the questions that I had. When choosing the respondent from the bank it was more difficult to know who would be the best to interview. I motivate my choice of respondent from the bank with that I wanted to interview someone that was knowledgeable in the subject and that had been one of the persons coming up with the idea of a new segment consisting of franchise systems.

When doing an in-depth interview the interaction between the interviewer and the respondent is of importance for the result. If the respondent is not interested in the subject, feels insecure, or the interview is made in the wrong setting the respondent might hold back or modify information and the respondents can also have different motives to put their company and themselves in what they find a somewhat more favourable light. There was a relaxed atmosphere at the time of the interviews and the respondents were granted anonymity and I therefore think the respondents could speak relatively frankly. All the respondents, the bank and the franchisees, seemed to be interested in the topic and gave the impression to answer truthfully.

153 Johansson Lindfors, M-B, (1993), Att utveckla kunskap, p122
154 Ibid, p178
156 Ibid, p105
157 Ibid, p105
5 EMPIRICAL FINDINGS

In this chapter the reader will be introduced to the empirical findings by means of the presentations of the results from the interviews. The eight interviews with the franchisees and the interview with the bank are all chosen to be illustrated with surnames starting from A to I. The chapter is summarised by a table in the Appendix C that will give an overview of different aspects covered in the interviews.

5.1 RESPONDENT A - SWEDBANK AB

Swedbank is one of the four largest banks in Sweden and have it’s headquarter in Stockholm. The interview with the respondent from Swedbank took place in a meeting room at the bank’s premises in Stockholm the 15 December 2006. Since the respondent wished to remain anonymous the name of the respondent can not be mentioned and I will therefore, in an effort to make this text more readable, call the respondent Andersson.

Andersson works for a subdivision of Swedbank that deals with the bank’s largest corporate customers and he is responsible for a handful of those customers. During the years some of the customers have been franchise systems and he has thus become familiar with the concept. Andersson mentions that he has during the last year read quite a lot and dealt with consultants and lawyers that work with franchise systems on a daily basis and his insight in franchise businesses has therefore increased over the time.

It was about a year ago that Swedbank started to examine whether franchise systems could possibly be a new segment for the bank. Since the bank has franchise systems as customers, some of these customers have brought up this issue in discussions with their personal advisors during the years and the question has continued to be discussed internally. What has been discussed is for example that since the franchisees pay money for leasing the franchisors’ trademark and business concept the franchisors want to give the franchisees added-value. The suggestion has been that this added-value could possibly consist of smart bank products and services. At the time of the interview with Andersson the bank had come to the point where they no longer were just discussing the matter, but had started gathering information about whether franchise systems are unique and different from other companies and therefore could be justified as a new segment to develop special solutions for. The bank was also at the time asking the franchisees and franchisors what they thought about the idea. Andersson explains that the franchise systems can turn out to be a new segment if the bank finds some sort of common denominator that makes franchise systems unique and different from other companies.

According to Andersson Swedbank segments the corporate business market according to the size of the customers. Large, medium, and small customers, plus associations are making up four different segments and are being offered products, services and packages that are put together to suit their needs. In addition to these four segments Swedbank also has two industry segments; one segment consisting of companies from the forestry- and agriculture industry and one consisting of the municipalities and the county councils. Andersson explains that they have divided the market like this because they have found that for example multination companies with a turnover of hundreds of millions have different needs of products and services than smaller companies with only a couple of millions in turnover or less and adds that when dividing the market into different market segments the bank can more efficiently meet the varying needs of their customers. He also mentions that Swedbank has had the same segments for about five years and that previously how to segment the market was something for the local bank managers to decide. Segmentation is nothing the bank usually works with actively every day.

Andersson explains that the market segmentation of Swedbank can be illustrated with a matrix with the size of the company on one axis and the branch on the other axis. What the bank has realised with franchise systems is that the franchisees usually are of rather small size and therefore qualifies for the segment of small companies whereas the franchisors often of larger size fall into the large company segment. Swedbank is therefore considering whether these franchise systems together instead is a new
segment and could be treated in a coherent way. He explains that if the franchise systems are found to
have some unique aspects to them, and therefore be justified as a new segment, this could be a
development of the bank’s market segmentation.

Swedbank works with a hypothesis that the most difficult and time consuming phase for franchise
systems today is to arrange with financial solutions for all franchisees. Andersson gives as an example
that if one company wants to expand its business the owner can decide to set up fifty new units around
the country by using franchising. If the franchisees are going to be able to start up the business they
usually need financing and some sort of financial services. Since the franchisors want the franchisees to
start up the business the franchisors often follows the franchisees to banks to increase the possibility of
receiving financing. Following fifty different franchisees to for example three different banks takes time
and in addition these three banks might give varying answers. In some cities the franchisees do not get
any financing at all. Andersson believes that this is something that the franchisor and the franchisees
find extremely time-consuming and something they would like to find a different solution for. The bank
has hence decided to ask franchisees and franchisors what they think in an effort to confirm this
hypothesis or prove it false.

According to Andersson the franchisors usually know roughly what their franchisees need when
starting up their business and explains that the bank therefore could in agreement with the franchisor
create a basket or product and services package that the franchisees would get a discount on. The basket
of products and services that the bank could offer would be unique for each system, or at least be
experienced unique. Andersson believes that the advantage for the franchisor with such a basket could
be that when they find persons that want to start up as franchisees they can offer the franchisees an
already prepared solution of financial services and financing; a smorgasbord that is already worked out
and ready for the potential franchisee to buy. If the franchisee does not want the offered solution, the
alternative for the franchisees would be to go to another bank by themselves and try to pick together the
products and services. Andersson believes that the advantage with a smorgasbord for franchisees is that
they do not have to spend weeks of valuable time and effort searching for the financial product and
services they need.

Andersson believes that the franchise systems could benefit by getting cheaper and easier financial
solutions and that the bank could benefit from cheaper and easier operations too. He explains that if
Swedbank has a package for a certain franchise system consisting of fifty companies the bank has to
spend less time on finding the right products and services for each customer at the same time as the
bank knows how many packages it will sell. Thus there should be economies of scale. If the franchisees
are dealt with individually, as they are today, the bank has to figure out the same package of product s
and services for each customer fifty times he continues and says that somewhere in the human nature
there is a driving force for optimising things.

Andersson points out that what signifies franchising is that all companies look similar to each other
having for example the same interior design and purchase routines. The volumes and the turnover might
differ but their business ratios and margins are most likely similar. Andersson mentions that the since
all franchisees in one system look similar to each other it is easier for the bank to make a product and
service package specially suited for them. The bank standardises product and service packages for small
businesses today but the products and services in the package that are the same for all companies are
fewer since the needs of the companies in the small business segment are not exactly the same. The
more custom-made the offers are the better for the customers, however how unique the bank can make
the product and service packages depends on the size of the customers Andersson states.

Since the bank has thousands of different customers it can not offer all customers custom-made
solutions because it would become too expensive. The largest cost for the bank is salaries and the more
time the employees have to spend on things the costlier for the bank. Therefore the more efficient the
bank can be and sell the same thing to several companies it becomes more profitable for the bank on the
one hand. On the other hand the bank wants their customers to be satisfied and so provide custom-made
solutions and added-value for the customers. If found having similar and unique needs, the franchise systems are large together and the bank can develop packages that are, or at least feels, custom-made.

According to Andersson the franchisees and the franchisor in the same franchise system cooperate already today. The franchisor often negotiates agreements with suppliers, utility companies, insurance companies, and so forth for all the franchisees, so that the franchise system can get better and valuable discounts when negotiating with other companies.

Franchise systems differ from other companies due to their special business concept Andersson explains. Realising that the business goes really well might lead to the decision for the owner to expand the business with more shops, which is rather expensive. If the owner does not have money to invest him/herself the option for the owner is either to wait and invest the profit from the existing business into new stores, list the business on the stock-market, find risk capitalists, or finding individuals that are willing to lease the business concept of the owner and start up their own companies. Franchising makes it possible for the owner to create an expansion that is exponential; an expansion that the owner never could get with normal organic growth. Another aspect that Andersson mentions when talking about the difference between different business concepts is that franchise systems differs from other chain store concepts since each franchisee is an individual company and legal person. When negotiating with other chain stores the bank only has one party, the financial manager, to negotiate with, whereas with franchise systems each franchisee is a negotiation party for the bank.

Andersson however believes that how the franchisees run their business is essentially not different from how other companies run their businesses. Franchisees generally have the same needs of bank products and services as other small businesses. He explains that the bank however has developed some products that they might introduce to the market that they believe will be useful for the franchisees. He also says that the product and service package might include these products, which are specially designed for franchise systems and intend to make it easier for them.

Andersson says that the bank is always interested in new customers and it could be franchise systems or other companies what is important for them is growth and that is created by attracting new customers and retaining old customers. He adds that in an attempt to attract and maintain customers the bank have to creating as sharp offerings as possible. Andersson mentions that one way of attracting and maintaining customers is to segment the market in a new way and create special solutions that suit that segment. The bank thus becomes exclusive for a while when offering something that none of the other banks has. He says that is something the bank aims at continuously and the challenge is that copies will follow if the bank finds a group of companies that turns out to be a successful segment. Andersson believes that the copies however never will achieve the same penetration as the original and it is therefore important to be the first one, since the first one has a first-mover-advantage. Andersson mentions that if the bank develops and introduces a new product and attracts new customers something significant have to happen before the new customers change to the competitor which have copied the product. The followers for example have to dump the price and in the end the price will be one factor that the bank is competing with.

If Swedbank decides to create a new franchise segment and other banks will follow their footsteps one competitive advantage that Swedbank has is its large number of bank offices around the country Andersson mentions. The bank has as many bank branches as all the other banks together and Andersson therefore believes that franchise companies might choose Swedbank just because they are in this way closer to the customers. Retail banking works with “the theory of large numbers”, i.e. if some of the individual customers are going bankrupt that are still rather small amounts for the bank. Andersson says that if on the other hand large corporations fail that it is devastating for the bank and they therefore have to work slightly different with corporate customers and use more sophisticated tools and work procedures. He states that personal contact is still very important both for the bank and for the companies when talking about corporate businesses and larger businesses since the risks involved are larger.
Generally the bank wants to have as good customers with as little credit risk as possible even thought that is not always possible Andersson explains and that theoretically speaking the bank has different relationships with different customers. According to Andersson the aim of the bank is however to have long-term relations with their customers something the bank has in mind also when creating product and service packages. He says that the bank wants to create solutions that are so good that the customers want to remain customers for a long period of time. Andersson mentions that if there is something that the customers do not like the bank wants the customers to give the bank feedback on that issue and have an open dialogue. He mentions that the bank tries to find win-win solutions where customers experience that they get something from the relation and the bank experiences that they get more business since he believes win-win relationships are the best relationships.

Andersson thinks that the bank is generally not that aware of franchisees’ needs of bank products and services, but instead treat them as just any other small companies and on the basis of that the franchisees get products and services that the bank usually offer small companies and the offers can differ from city to city. He continues to say that it does not have to be something wrong with that, but since the franchise systems usually have meetings twice a year and since the franchisees are rather similar, they can compare things easier and most people want to have made the best deal and such things can create unnecessary tensions. He explains that it would be better both for the bank and the customers if the bank becomes better to spread good solutions and packages to the whole bank. He gives an example that if there is a bank officer that is really good at franchise systems and has created a perfect solution with products and services for franchise systems it would be perfect if they could disseminate this solution to all employees working with franchise systems in the bank. Andersson also believes that the bank will gain better knowledge about franchising and franchise systems if the bank creates a market segment with franchise systems. He explains that if someone wants to become a franchisee today the bank does not know who wants to become franchisees and they can therefore not provide any information in beforehand. The first time the bank comes in contact with the potential franchisees that want to start up new businesses are when they visit the bank.

Andersson believes that franchisees often differ as individuals in comparison with other self-employed. Because of the business concept the franchisees are not allowed to be entrepreneurs. The franchisees should be team-players in a team where the coach, the franchisor, tells the team how they should play and then the franchisee has to play according to that. He states that is when the franchisee becomes most successful. He mentions that he believes that other small businesses owners that are self-employed on the other hand are the entrepreneur that have their own ideas and runs the business the way they want and believe are best way for the company.

Whether the segment found is a true segment is not possible to know until after a while according to Andersson. The bank has to use a theoretical test. Andersson explains that that is why the bank at the moment works with a hypothesis that with a new franchise segment the bank could create added-value for the franchise systems and that would lead to more business for the bank. He believes that a new segment should be demarcated, unambiguous and measurable. He also believes that the segment has to be unique in one way or another and give business opportunities since the bank has to be able to develop products and services specially designed for that segment, otherwise there would be no meaning for having that segment.

According to Andersson the bank has to follow up with tests after some time and measure how much business the bank are doing with the new segment for knowing whether this potential segment really is a true market segment. If the bank is making more money with the new segment that would mean that the customers are more satisfied with the bank, since if the customers are not satisfied with the bank they will change bank to another. Andersson believes that especially corporate customers are good at changing banks when they are not satisfied. Most companies aim at creating as much profit as possible and the profit can be earned by either increasing the turnover and margins or by reducing costs. He explains that by negotiations and changing banks corporate customers can reduce costs. Individual customers on the other hand are known to be less likely to change bank even though they are not that satisfied. He believes reasons for that can be for example that individual customers are more habitual
and like to do things the way they are used to do things or that the private customers have created personal relationships with the people working at the bank.

Andersson explains that whether or not the bank is going to decide to create a segment with franchise systems depends on several factors, including everything from internal politics to how much it would cost, the priorities of the bank, and other commitments for the bank at the moment. The decision has to be placed in a larger perspective. Andersson mentions that an alternative for the bank is to try the idea first on a small scale and see if it works. The logic behind such a decision would be that it might be very costly and waste of money if the bank chooses to make a large investment and that the segmentation later shows to be unsuccessful and loss-making. Andersson finish off the interview by saying that somewhere along the line a decision in the matter will be made, but that the decision is not his.

5.2 RESPONDENT B

The interview with respondent B took place at the respondent’s office the 20 December 2006. In an effort to make this text more readable the respondent will in the remainder of the text be called Bengtsson.

Bengtsson has been a franchisee for more than five years and was the first franchisee in Umeå belonging to this franchise system. In fact she was one of the first franchisees of this franchise system in the whole country. When starting up this company she had never had her own company before but had worked for different chain stores in all her life. She believes that she could have as well chosen to start up her own company and become self-employed but as she thought the alternatives for starting up a company on her own was bad she chose to become a franchisee instead. She says that as the competitive situation is today most companies need to have a chain store as support and that not only applies for one particular branch but for most branches. The chain stores have much inbuilt knowledge in the organisation that the franchisees can get for free and by choosing to become a franchisee she can purchase knowledge about products and marketing that she does not have to have herself, instead being able to focus on selling the products and services.

According to Bengtsson the largest difference between being a franchisee and self-employed is that the franchisee cannot be too much of an entrepreneur wanting to manage and control everything by themselves. The franchisees have some sort of safety in the concept they are leasing and can put down all the time and effort on concentrating on managing and controlling their store and the sales. The franchisee can in so doing be more focused. What makes franchisees different from other small companies are the franchise concept and the professional package of support system that the franchisees are leasing.

When starting up the company Bengtsson did not get any information about banks and their products and services. Since she was one of the first companies from this franchise system to start up in Sweden, she had to handle the contact with the bank by herself and did not have any assistance from the franchisor. She was not living in Sweden and therefore took contact with the bank she had been dealing with previously as a private person. Bengtsson did not have much previous experiences and knowledge about banks and their products and services before starting the company except from what one usually uses as a private person. According to Bengtsson it was not much about choosing a bank since she believes banks are generally not that interested in small companies especially if not small companies in retailing. She explains that nowadays the franchisor has a Swedish headquarter that helps with economic matters and bank relations and that they have created a contact with a bank that is represented all over Sweden and when the franchisor finds new franchisees they are introduced to the bank.

The franchisee does not have to choose that bank but that choice is up to the franchisees. According to Bengtsson many new franchisees find it easy to use that contact since it is not easy for franchisees to obtain loans and credits with banks. The older franchisees are not provided that contact since most of them already has their banks.
Bengtsson thinks that the bank has become more aware and knowledgeable about franchising now than for a couple of years ago when she set up her business. At that time she had to explain a lot and the bank was not familiar with the franchise concept at all. She gives an example that when presenting the budget for the bank she had to explain how much that was done by free will and how much was coercion from the franchisor when purchasing products. According to Bengtsson the bank associated franchising with McDonalds and where not aware that different franchise system had different franchise agreements and that it differed between branches as well. However she believes the banks are more updated nowadays since franchising is a rather common phenomenon today and the business format is the fastest growing. She explains that running a franchise business is essentially the same as running any other company and that she does not use any different bank products and services than other small companies.

According to Bengtsson her bank is also much more aware of her company’s needs today than for a couple of years ago. The bank has also become more active and suggests various packages for small companies which the bank never did before. Bengtsson think that the bank fulfils her needs rather sufficiently. When starting up her business she needed funding and today she needs a check credit. The possible profits she makes goes straight back as investments into the company and Bengtsson adds that she therefore does not need any special savings advice. She can not come up with any new products and services that she would like the bank to offer her.

Bengtsson explains that she has had the same bank since the day she started up the company and the relationship with the bank has been both up and down. She describes her relation with the bank not as a relationship but more as a contact. Over the years has Bengtsson set up two more shops of which one did not go well and was later shut down. At that time the bank got cold feet she explains. She thinks that banks are only there for their customers when the companies are doing well and not when they are doing worse. She thinks that if her relation with the bank would be a relationship they would have been there for her at the time of the shut down process as well and come with advice and suggestions in all weathers. She says that such events should be in their interest as well.

According to Bengtsson she is satisfied with her relationship with her bank today. She has recently changed branch to another city, but still the same bank, and says she feels a big difference in attitude between the two branches. Bengtsson think that this branch is much more interested in her company and are actively trying to attract small businesses in the retail sector which they see is developing and growing. According to Bengtsson she has never been contacted by another bank and her bank did not do much to keep her as a customer earlier. Bengtsson says that when changing branch office the bank never asked for a reason. Bengtsson explains that she is satisfied with her bank today partly because she and this branch got a different starting point and that already from the beginning she could explain what kind of contact she wished to have with the bank. She says that this branch has a different strategy and attitude towards small businesses.

Bengtsson believes that what relationship the bank aims at with their different customers depends much on the individuals and the personal chemistry and that the local bank managers leave their mark on how their bank branch acts and deal with these issues. Personal contact is really important for Bengtsson when doing business and explains that a functioning relation makes her continue being a customer. What on the other hand could make Bengtsson to consider changing bank are the economical parts. As any other business owner she can not turn a blind eye to better prices she explains. However if having a good relationship one can always discuss the offer with the bank and negotiate perhaps better terms. She explains that since she is a small company which means little negotiating power she values good relations higher.

What would make banks more attractive for Bengtsson is if the banks show that the small format i.e. small businesses and their small events are important. At the moment large customers equals important companies and Bengtsson think it would be good if the franchisor could be more involved so that franchisees can match up with larger companies. Bengtsson gives an example that the
franchisor could be a role model and front figure for the franchisees since they have been a successful company and earned a lot of money in the past.

According to Bengtsson it would have been good to be offered a package of products and services when starting up the business. Bengtsson believes that one advantage with such a package is the knowledge the bank can get of the individual franchise systems’ concepts and life-cycles. That would mean that if the franchisor has a good relationship with one bank that bank could get full insight in the franchise system and how it has developed over time. Bengtsson adds that it would be a huge comparative advantage for the bank. She believes that banks are becoming more and more aware of franchising and that many banks soon will focus more on franchise systems. She explains that an already prepared package of bank products and services would create tempo in the start-up process and the business owner would not have to spend as much valuable time as she had to do on meetings with banks.

Bengtsson explains that franchisees already today are cooperating in the franchise system when for example doing purchase according to Bengtsson. The franchisees in her franchise system for example have the same supplier and are also helping each other when spotting for new trends.

According to Bengtsson however there is no point for the franchisees in a franchise system to have the same bank since they do not have any common ground and do not have the same prerequisites. Another factor she mentions is that some franchisees probably already have good relationships with banks and therefore are not willing to change bank. Bengtsson believes that franchisees also do not want to be too controlled and that they want to make some decisions themselves otherwise they could as well choose to be store managers.

Bengtsson believe that franchise systems could be a new segment for banks and believes that since franchise systems are safer than other companies for the bank they become more interesting. She states that already today there are more and more banks that have some persons specialising on franchising. Because the franchise concept has been developed over some years and proved successful before the franchisor starting leasing the concept to franchisees some of the risk taking has already taken place and many mistakes too according to Bengtsson and adds that not many franchise concepts have gone bankrupt over the years. Bengtsson however does not believe that franchisees need different products than other companies. Instead what makes the franchisees different is that they have other prerequisites and are therefore more interesting as a potential segment for banks. Benefits for franchisees with becoming a separate segment according to Bengtsson would be that the banks would be that the banks could get better insight into the affairs of the franchise systems and therefore become more knowledgeable about the franchise systems and that if becoming a segment the franchisees would first and foremost benefit from an increased knowledge level in the entire bank organisation since the bank would have to learn more about franchising and the franchise systems.

She explains that it is in the franchisors’ interest that the franchisees become successful and it should therefore be in the franchisors’ interest to give the banks full insight in the economy and development of the franchise system which could lead to better terms and conditions with the bank for the franchisees. Bengtsson adds that what could possibly be a disadvantage for franchisees with being a segment is if some franchisees are mismanaging their businesses and as a consequence the segment i.e. all franchisees becomes stamped as something not attractive for the bank. Bengtsson concludes that this is the backside and danger with belonging to a franchise system and the reason to why the franchisor has to have guidelines and contracts.

5.3 RESPONDENT C

The interview with respondent C took place at the respondent’s office the 20 December 2006. In an effort to make this text more readable the respondent will in the remainder of the text be called Carlsson.
Carlsson has worked for the company for over twenty years and when Carlsson and the other two partners about twelve years ago were offered to become franchisees they accepted the offer. Carlsson believes that he could as well have started-up his own business. Becoming a franchisee was just a result of the development of the company and that their franchise concept was launched. Had the franchise concept not been launched at that time they might had continued to be retailers as Carlsson believes that sooner or later some sort of franchise concept will always be launched since most large retail companies today are establishing franchise concepts.

According to Carlsson the largest difference between a franchisee and small self-employed companies is that franchisees have many advantages because they are belonging to a chain store concept and therefore are more powerful when it comes to negotiation. He explains that together they can negotiate better terms and conditions with for example suppliers than they otherwise would be able to. Carlsson explains that the same holds for marketing issues such as negotiations over newspaper advertisements and television commercials. The recognition factor among consumers becomes better when belonging to a franchise system. He believes it differs from branch to branch though. Belonging to franchise systems can also mean disadvantages Carlsson continues. Depending on the franchise agreement franchisees can also be rather restricted when it comes to for example choosing suppliers which can be a disadvantage if that supplier has problems delivering.

Becoming a franchisee only meant changing the name and trademark for Carlsson and the other two franchisees. Since the company had been operating for several years before becoming a franchise company they already had contacts with a bank that they were happy with and therefore did not shop around with other banks. The contacts had been established and finding financial solutions and financing were no problem for them. Carlsson explains that the franchisor has never had anything to do with which bank they have. He thinks that if there are some new franchisees that would like the franchisor to follow them to the bank that would be no problem. But since he does not have any hands-on experiences he is not sure.

According to Carlsson the company has very little to do with their bank as their economy is very good and everything is just going smoothly. In the beginning the company had a loan with the bank but now that is repaid. They have some normal bank accounts and bank giro but the rest of the transactions the company does with the franchisor. Today they are lending money they have left-over to the franchisor which can give them better interest than the bank. Carlsson states that their franchisor has a finance department that can bargain better terms and conditions with their banks than the franchisees can with their banks.

The company’s bank is fulfilling their needs satisfactory and Carlsson explains that their relation with the bank is very good. The company has had the same bank for all the years they have been operating on the market and therefore the relationship has developed. The bank has seen the development of the bank and knows what needs and non-needs the company has and therefore do not try to sell them things the company does not need. According to Carlsson it feels very good that the company has had the same bank contact over all those years. The bank contact as a result knows the franchisees. Carlsson thinks that the relation that they have with their bank is a relationship. They know that the bank contact wants both to do a good job and to provide the franchisees with good offers. Carlsson says that it is a mutual giving and taking and that they have an open and honest relationship with their bank. He explains that if they ask for something the bank can not accept they can give a negative answer and vice versa if the bank asks for something that they can not accept they turn down the offer. He thinks that open and honest relationships are the best relationships and something his company aims at with all other business parties.

Carlsson believes that banks want to have good personal relations with all their customers even thought it are not always possible. For keeping them as customers the bank works with personal relationships and customer care. What makes them continue being customers is that the affairs they have with the bank are well-functioning and smooth and also this personal contact that they have built up with their
bank. According to Carlsson something exceptional has to happen before the company would change bank. He believes changing bank would mean lots of extra work and would cost more than it would taste. Sometimes there have been other banks that have contacted them but at those occasions Carlsson and his colleagues have explained that they already have two good alternatives in their bank and the franchisor.

According to Carlsson they have never had any needs for discussing whether the bank has sufficient knowledge about franchising. He believes that his company is as any other company for the bank. Carlsson continues that he do not believe that franchisees have any special needs for bank products and services since running a franchise company is really as running any other company i.e. buying products and services as cheap as possible and selling them to another price and hopefully make a profit. Carlsson explains that what he thinks franchisees have different from other companies is a better position when negotiating with other parties, as well as the right to use a well-known brand name.

Carlsson think it would be good for new franchisees to be offered a package of bank products and services that the franchisor had negotiated with the bank. He explains that when starting up a business there are thousand things one has to think about already and it would therefore be convenient to be offered a solution one only had to take a position on. He gives as suggestion that it would be good if there were one small, medium, and large package where the small package only consisted of the basic financial products and the large that was more wide-ranging; the same concept as when buying a car.

He explains that it would make it easier both for the seller and the buyer and that the advantage with such a solution would be the simplicity that it brings. The disadvantage could be that if the franchisor has made a deal with one bank where they offer three packages it might be difficult to make a comparison with other banks and see whether the deal is advantageous or not. Hence that can be a disadvantage, but it could be positive as well if the franchisor has negotiated a deal which is very favourable and the franchisor presents for the franchisees that the bank offer chosen was the best deal on the market; that none of the other banks solutions were more favourable. He explains that in that case if the franchisees can trust the franchisor they do not have to search and check themselves.

Carlsson explains that he would not however be interested in such an offer from their franchisor today, since his company already has at an early stage compared prices and seen that their bank has always had the best offers. According to Carlsson his company at the moment is only comparing offers from their bank and the franchisor. He thinks it could be a good idea though that if the franchisees cooperated through the franchisor they could get better terms and conditions with banks but it would be difficult to get all the franchisees to change bank. He believes that even though the terms and conditions would be better with another bank the franchisees that had a relationship that was both personal and historical with another bank would not want to change bank just for a few percentage better interest rates. The franchisees could however bring that offer to their bank and use that as a basis for negotiation. He explains that he thinks relationships are very important, more important than the last percentage of interest.

Carlsson explains that he can see no point in that all franchisees in one franchise system would have the same bank. He believes that it is impossible to make a whole franchise system to have the same bank as long as the franchise system is not a completely new concept which is being established from scratch. If the franchise concept has a couple of years on the neck or if the franchisees have had companies previously Carlsson believe they have already established a contact and relation with a bank. He gives as an example that his franchisor has made agreements with a car company regarding company cars or insurances. Even though the agreements are favourable some franchisees do not take the deal since they have good personal relationships with local dealers.

According to Carlsson it is however good that the franchisors are strong and have advance planning and as a consequence can bargain good deals for the franchisees. He gives as an example that for new franchisees such offers which the franchisor has negotiated with banks and other companies are good. Such offers can also be valuable for older franchisees if their relation with their bank is working poorly and they want to change bank they can then make use of the offer. Carlsson compares it with an back-
up alternative which gives the franchisees a chance for comparing prices of other alternatives and a chance to see if the offer one has is good or not.

Carlsson says that he can not see why franchise systems should become a segment for banks and gives as reason that he believes franchisees are just as any other companies.

5.4 RESPONDENT D

The interview with respondent D took place at the respondent’s office the 19 December 2006. In an effort to make this text more readable the respondent will in the remainder of the text be called Davidsson.

Davidsson has been a franchisee for about a year and was the first franchisee belonging to this franchise system in Umeå. He explains that he has owned other small companies previously and was therefore for one year ago choosing between starting a company on his own as self-employed or becoming franchisee. What enticed him into franchising was the help and support franchisees get in the up-start of the company. By becoming a franchisee of this franchise system meant getting economical and legal support. Some contacts with suppliers and agreements were also already established. Davidsson explains that there were for example agreements with some suppliers that would invest money in the franchisees’ companies in the start-up, money that later would be paid back according to a pay-back scheme. According to Davidsson such agreements make it easier for the franchisees to economically get going and the franchisees do not have to borrow as much money from the bank. He explains that by choosing franchising you get kind of a start-up package.

According to Davidsson the largest difference between being a franchisee and a self-employed has been the help and assistance the franchisees have access to. The franchisees can get consultation from the franchisor and its contacts at any time. Previously he has done that consultation only with himself. Another difference with becoming a franchisee and self-employed is that the business concept is already thought out and proved successful. He explains that since the business owner already has a lot to think about when starting up the business it can be convenient not to have to think about for example the interior and such.

Davidsson thinks that there are both advantages and disadvantages with being a franchisee. Advantages are that the franchisees have several other franchisees in their franchise system to talk to and share opinions and experiences with that are in the same situation. The franchisees in their franchise system meet about two times a year at the annual meetings which give a lot of opportunities for discussions. Some disadvantages with franchising are for example that the franchisor exercise control over the franchisees due to the franchise agreement and that they therefore can not have whatever products or services they want Davidsson explains. He emphasises that the centralisation differs between different branches and different franchise systems.

When starting up the business he had to find out about bank products and services on his own Davidsson explain. His franchisor did not follow him to any of the banks. According to Davidsson he checked with approximately four banks before deciding which one to choose. In the end he chose between two of those banks. The bank with the best offer which accepted his requests was chosen and explains that the bank, with the offer meaning lowest costs for his company, is the bank that wins.

According to Davidsson the bank products and services that franchisees use do not differ from the products and services that any other small businesses use. He therefore does not believe that the bank has to know much about franchising since franchisees are just like any other businesses. Davidsson can not come up with any new products or services he thinks that bank should offer to franchisees.

Davidsson explains that he has only contact with one bank for the company and that bank is not the same as the bank he has as a private person. As private person changing bank is something has considered. The bank he change to does not have to be the same bank as he has for his company.
instead he will choose the bank with the best solutions for his personal needs. Davidsson says that he is moderately satisfied with the bank he has today and do not have any worse agreements than any of the other banks. However he thinks that banks in general have too high fees on everything. He explains that he therefore is considering changing bank and explains that he can consider changing bank for his private economy. According to Davidsson it is easier to move around the personal assets between banks than the assets and debts of the company. Changing the bank of the company would be more difficult and imply a larger apparatus.

According to Davidsson banks mostly just want to exploit the companies and private persons on money by using high fees. One example that he comes up with is the credit card fees that companies have to pay the bank when customers use their credit card terminals. As he sees it one advantage with belonging to a franchise system is that the franchisees can work together and negotiate better rates with the banks. The many card transactions that the franchisees have together, leads to lower fees when all the franchisees together cooperate. Davidsson explains that one is too small to have such negotiations when having a small company as only self-employed.

Davidsson explains that all franchisees in the franchise system are also cooperating when dealing with for example suppliers. In that way they can press the prices and also deal other better conditions with the suppliers. For example, he can now get better service from the suppliers such as getting the products delivered to the company’s premises instead of having to pick them up by himself. He explains that such services would be difficult to get when being on his own. What is making such things possible is the size of the whole chain of companies in the franchise system. When the franchisor has an agreement the suppliers, the suppliers are rather keen to keep the whole franchise system as their customer. If the suppliers mismanage their assignment or if some of the franchisees are not happy with the supplier the whole franchise system might change, something the suppliers do not want to risk. Davidsson believes that working together puts pressure on the suppliers.

Davidsson believes that he would not have wanted to be offered a package of bank products and services that the franchisor had negotiated with the bank when he started as a franchisee. Since the franchisees are operating in different cities and municipalities which have different rules and regulations he thinks that the products and services of banks differ as well. Moreover he explains that some banks that are present in Gothenburg are not present here in Umeå and therefore would it not be possible with such an offer. He think it would not function to have a bank that has its nearest local bank office in for example Gävle.

Davidsson also believes that the franchisees would like to decide by themselves which bank they want to have. If however the bank was present all over Sweden there could be some advantages with such a package offer as well. One advantage would be that the bank could get better insight in the franchise system. The bank could look in the computer and see what the franchise system works with and how the other franchisees have tackled various problems. The franchisor could in that way maybe negotiate better agreements with the bank Davidsson states. Davidsson explains that he also can see some risks with such a package offer to the franchise system. One risk would be that the franchisees could become more controlled by the franchisor and loose some of their freedom. He also explains that it might be difficult to implement such an offer since some franchisees would not like to change banks. Franchisees that already have good relationships with their banks would not like to change bank. Davidsson concludes that such a package of bank products and services would only interest him if the package solution meant improved conditions for his company.

According to Davidsson his relation with his bank functions well. He has a contact person that he can talk to and they go well together. Davidsson believes that the bank is trying to become more personal and build personal relationships with their customers by giving all the customers a personal contact person that are supposed understand the customers’ businesses. He adds that he believes it is very important that the relation between the customer and that contact person works well. By working on the relationship the bank tries to maintain him as a customer Davidsson explains. Apart from that the
various agreements between the two parties makes it difficult for both him and the bank to end the relation.

Other banks usually never contact him Davidsson explains. What could make him change bank would be a better agreement somewhere else he adds. As company owner he rather does not have any costs at all. He does not see any point in why all the franchisees would have the same bank if it was not for negotiation reasons.

Davidsson thinks that franchise companies are just as any other companies and he explains that he therefore can not see any reason to why franchise systems would be a special segment for banks. Maybe more centralised franchisees than him are different from other companies he adds. Davidsson believes that if banks would create a franchise segment and treat them differently other small company owners would become annoyed and change bank. According to Davidsson other small company owners would not accept that just because they are not franchisees they will start on a different basis when negotiating on for example financial solutions in the start-up process. He explains that if the banks will make franchise systems to a segment that would be good for the franchises but when having a societal perspective it would not be good since it would treat new enterprising in the country unfair.

According to Davidsson if banks favour franchisees it will in the future become even harder for business owners to start up normal small companies and as a consequence the “new enterprising” will be knocked out in Sweden. Davidsson explains that even though he is a franchisee himself he does not want the society to go in that direction. He concludes that it would be a depressing future with all shops looking the same.

5.5 RESPONDENT E

The interview with respondent E took place at the respondent’s office the 22 December 2006. In an effort to make this text more readable the respondent will in the remainder of the text be called Eriksson.

Eriksson has at the point for the interview been a franchisee for about six months. Previously he has worked as a commercial traveller and been in the everyday commodity trade for almost twenty years. He has although never owned his own company previous. Eriksson explains that it was by mere accident that he became a franchisee at that time. He had thought about becoming a business owner before but when having wife, children, and a house one becomes more risk averse and starting from scratch becomes less tempting he continues. Becoming a franchisee was an easier way to get going a business owner and the risks involved more reasonable. According to Eriksson starting from scratch requires other prerequisites. He explains that franchisees have access to a successful business concept and can almost get started the first day. He says that the franchisee does not have to build up a market since the market already exists but that there still is much to do and deal with for the franchisee.

What Eriksson believes are the largest differences between being a franchisee and a normal self-employed small business owner are the many undertakings towards the franchisor that the franchisees have. The franchisees for example are only allowed to use the suppliers that the franchisor have agreements with when other small business owners can use whatever suppliers they want to employ. If the supplier that the franchisee deals with have shortage of products the franchisee can still not use any other supplier and therefore get some troubles. What Eriksson on the other hand believes is positive with franchising is that franchisees can get useful backing-up from the franchisor with everything from computer issues to economical matters. Eriksson explains that there is always someone to call and get information from and that a positive aspect with franchising.

Eriksson explains that he in the start-up process choose to turn to the bank he had as a private person. He had changed to that bank shortly before considering becoming a franchisee and was satisfied with that bank. At that point in time he had so much to do so it did not feel necessary to go to any of the
Eriksson explains that he has only the usual bank products and services and nothing special. Before starting the company he had some experience from bank products and services since he had house and a car. According to Eriksson the bank is rather aware of his needs as a franchisee and thinks that his contact person is rather knowledgeable. Both his contact person and the accountant has had franchisees as customers before and therefore had good insight in the franchising concept. He explains that the bank has been active and given him several good suggestions, especially for the franchise contract Eriksson has with the franchisor. He thinks that the bank fulfils his needs. The bank and Eriksson keep contact on a regular basis and check up how things are going. He believes that the reasons why the bank does so is that they have risks involved as well and that they want to keep him as a long-term customer. Eriksson explains that he has a good relation with his contact person, but says that it is always easier when the wind is blowing in the tail and it might be different if the wind would change direction.

According to Eriksson he does not have many bank products and services and can therefore not come up with any suggestions for new products and services that the bank could introduce. He says that franchisees are not different from any other companies and that he believes they do not need any different bank products and services than other companies. He states that if he had been running just a normal small business he would probably use the same bank products and services that he has today.

Short before becoming a franchisee Eriksson changed bank. He explains that the reason for changing bank was that the previous bank he had was too much of a “large bank”. The bank had loads of customers and employees which lead to an impersonal feeling. Eriksson also explains that another reason to why he changed bank was that even though he had been a customer for a very long time he did not get any better terms and conditions with the bank. They did not care whether he was loyal to them or not. He therefore had enough and changed bank. At that time when considering which bank to choose he checked with about three other banks before deciding. He explains that it was the personal feeling that he got from the employees and the conditions he got that played a decisive role when deciding on bank.

According to Eriksson his relation with the bank, both for the company and as a private person, is more a relationship than just a contact. When having a relationship one can talk and discuss other things than just the business. He explains that when he has had lunch with his contact persons at the bank they have talked about every thing from hobbies to the family life and the relation could therefore better be described as a relationship. Eriksson believes that banks would like to have long-term relations with most of their customers and especially with their corporate customers. He explains that this is the case since the banks see that the little company has the potential to develop into a large and profitable company and therefore realize the potential with keeping those customers with a long-term perspective. Having a long-term perspective also means that the bank does not have to make profits on all affairs but looking at the profits of the customers on the long-term. Eriksson believes that the same argument holds for private customers of the bank as well, but that the potential for private customers is lesser. According to Eriksson even though the bank aims at long-term relationships with most of their customers the bank will priorities customers depending on their profitability.

Eriksson believes that his bank tries to keep him as a customer by making so that everything functions as smooth and uncomplicated as possible. What could make him consider changing bank would be if some of the other banks had terms and conditions that were much better or if the relationship with his contact persons would clash. He however states that something major has to happen before he would start considering changing bank. Everybody can make mistakes and if they just show that they want to
deal with the occurred mistake there are no problem Eriksson explains and adds that as long as he is satisfied he will not change bank. According to Eriksson usually the other banks never contacts him, except from the direct advertisements he gets in the letterbox.

Eriksson explains that in his franchise system the franchisees cooperate through the franchisor for example in agreements with suppliers. The franchisor has also negotiated an agreement with an electricity provider and a petrol company. Those agreements are however voluntary and the franchisees can choose to use the agreement or not. Eriksson explains that he would not have been interested in such a package of bank products and services that the bank had negotiated for the franchisees with the bank when he became a franchisee. Since he is running his own business he wants to formulate his own terms and conditions with the bank and take care of those things on his own.

According to Eriksson he would not be interested in such a package of bank products and services today either. He explains that since the franchisees in his franchise system have come different far with some franchisees running their business for over twenty years and some only a couple of months he believes that they all have different capital strength and possibilities. They have not the same starting point when negotiating with the bank. Eriksson adds that apart from that some franchisees might have very good contacts with a local bank that another franchisee in another city can not consider becoming a customer to. Eriksson believes that the contact with the bank is something the franchisees want to handle on their own.

Eriksson explains that he does not see any point for the franchisees to have the same bank. He adds that it is good that the franchisor in any way does not have the same bank as all the franchisees since the franchisees might need the bank as a partner against the franchisor. When starting up the company Eriksson thought it was good to have the bank to discuss the franchise agreement before signing the contract. Since he had not owned any business before, he was new to many things. The bank had more routine and experience from running a business and could therefore come with many good suggestions for amendments in the franchise contract. Eriksson explains that if the franchisor has had the same bank as him the bank would not primarily been on his side since the franchisor is a larger customer and would come in first place.

According to Eriksson franchisees are not different from any other companies and he explains that he therefore can not see why franchisees would become a separate segment for banks. He explains that what makes franchisees differ from other companies is the franchise concept which has been tried and proved successful for other business owners and therefore is less risky. The franchisor also has statistics on many things and can show for the bank that the concept has worked before. Eriksson thinks that there would be no benefits for the franchisees with being a segment. However he adds that there might be a small advantage with being a segment if they were several persons that would start up as franchisees in the franchise system and that they went together and tried to negotiate with the bank. In that case he believes it might be interesting with a package of products and services from the bank. According to Eriksson disadvantages with being a segment could instead be that the franchisees would be seen and treated as a flock and not be treated and seen as individual companies. He says that he thinks it is good as it is today.

5.6 RESPONDENT F

The interview with respondent F took place at the respondent’s office the 27 December 2006. In an effort to make this text more readable the respondent will in the remainder of the text be called Fransson.

Fransson has been a franchisee for roughly one year. He has had some small companies before but never been a franchisee. Instead of becoming a franchisee he could as well have opened his own company as a self-employed but thinks that it feels good to have some support and backing up from the franchisor. According to Fransson he chose to become a franchisee because he liked this franchise concept and it suited with who he is. He explains that if the franchise concept does not suit the
franchisee it will be difficult to be self-employed and still dependent on the franchisor. The franchisees have rules to follow. Being self-employed on the other hand means that one can do whatever one finds right and decide everything. Fransson adds that being a franchisee means that the business owner has to listen to other people and rely on that other people are making good decisions. If the franchisee can not do that he will have problems. Fransson explains that he liked the business concept and therefore applied for becoming their franchisee.

According to Fransson the largest difference between being a franchisee and self-employed is the support in marketing, purchasing, and the like, that franchisees get from the franchisors. Being his own he would have had to put down much more effort on that Fransson explains. Another difference is the network of colleagues that franchisees have access to. The franchisees can ask the other franchisees in their franchise system how things are done in their company and for opinions in various matters. All the franchisees also meet every fortnight where there also is time for discussions.

Another difference Fransson mentions is that if he would have started up a similar business but on his own he believes he would have had more difficulties with finding financing. Franchisees benefit from that the franchise concept is tried and tested before. The franchisor can show figures how the concept has worked on other places and for other individuals. The franchisees can also compare and see how other franchisees in the system have solved their financing.

When Fransson took over the franchise store it had been running with a loss for several years. Fransson explains that this was something he had to carry with him when applying for financing with banks. The banks not only looked at him as a person but also at the history of the store in Umeå. He explains that he went to about three banks but neither of them gave him financing. He therefore had to turn down the offer of becoming a franchisee. However after a couple of weeks the franchisor called and asked him if he would be interested if the franchisor became the financer. Thus today the franchisor provides the financing but Fransson explains that the aim is to get financing from a bank.

According to Fransson he has very little contact with his bank. He does not have any special bank products and services but the same products and services he would have had if he were running just a regular small company.

Fransson believes that banks aims at different relationships with different customers. He describes his relation with the bank more as a contact than a true relationship. A relationship would have a thought out plan where they are heading and he would feel that the bank was having a long-term perspective. As it is today he does not have a contact person which he can ask for advice. Fransson thinks that if he could feel that the bank aimed for a relationship with him he would think less about changing bank and finding other solutions. Relations and trust in the people he is interacting with is worth much he explains.

Fransson thinks that his bank is competent and professional and that they are aware about his company’s needs. They come with suggestions when he asks about something. He says that he is rather satisfied with them and as a customer. Fransson however does not think that the bank is that knowledgeable about franchising. He explains that the bank is seeing for example the franchisees as isolated entities and not as a complete franchise system. If the bank instead looked at the franchisees as connected he believes that the bank would get better understanding about franchising. Fransson also explains that in his franchise system he has noticed that the franchisor has recruited some franchisees that would need better insight in how to run and own a company. He believes that some franchisees see themselves more as employees than business owners. These franchisees are really good at working in the store but that their knowledge about running a business is missing. The outcome is that important parts necessary for the survival of the companies are forgotten.

According to Fransson other banks usually do not contact him and when they do it has been by telemarketing and not very professional. His bank does not do anything special to keep his company as customer. What could make him change bank would be if some of the other banks had products and
services that better suited his company’s needs to a better price. However he explains that he could choose a bank that had slightly worse range of products and services if they offered a more personal relationship with a contact person that worked actively with him.

The franchisees in this system have a centrally arranged assortment of product from which they purchase their goods. Apart from that they cooperate on many informal parts by talking and discussing with each other Fransson explains.

Fransson would have wanted to be offered a package of bank products and services that the franchisor had negotiated with the bank. He explains that it would have made it easier for him to get started. Negative aspects with such a package could be that the franchisee loses some overview of what products and services that are being purchased from the bank that they are needed for the company and that the franchisee loses some control. He mentions that the result might be that he is paying for some products and services that are not needed for his company. Positive aspects that Fransson sees with that kind of package of bank products and services are that because they are quite a lot of franchisees in the franchise system they should get a good package to a favourable price. If it were not for the negotiation aspects he can not see any reason for why all the franchisees should have the same bank. According to Fransson being offered a complete package of suitable products and services from the bank would be attractive and if he would be offered something like that today he would be interested.

Fransson thinks that banks could work more actively with franchise systems and the franchisors. He believes it would be a good idea that the franchisor would present some sort of packages with bank products and services from several different banks to the new franchisees. The franchisees could than choose the best package for their companies. He explains that if something similar would have been offered at the time of the start up for him he would probably have chosen one of those offerings.

Fransson does not believe that franchisees could be a segment for banks. He believes that franchise companies need the same products and services as any other small companies, and that they do not differ. Fransson states that the banks instead have to look at what the company is selling and not so much on whether or not the owner of the company leases the business concept. Fransson explains that he believes that laundry companies and stationery stores probably look pretty different even though both might be run as franchisees. One of the companies is primarily a services company selling services and the other primarily a product company selling products. Instead what differs between franchise companies and other small companies are the persons running the businesses he explains. Fransson believes that if the franchise companies would be a separate segment the banks would get a better understanding of franchising and franchise companies in general and he can not see any disadvantages with being a separate segment.

5.7 RESPONDENT G

The interview with respondent G took place at the respondent’s office the 20 December 2006. In an effort to make this text more readable the respondent will in the remainder of the text be called Gustafsson.

Gustafsson has been a franchisee for about ten years and has now expanded his business to other cities in the region. He had worked in the branch for several years before becoming a franchisee. Gustafsson explains that he could as well have started his own business earlier also but becoming franchisee was a natural step since he was managing the company already. Now afterwards he knows how much more work there is with being the owner and sometimes thinks that it was good to be just a regular employee. He explains that the reason for those feelings is that his business have grown so fast and that therefore it have been slightly too much sometimes. He thinks that there is a great step to take from being an employee to becoming business owner. Gustafsson explains that starting a company was more difficult than he thought it would be, especially all the paper work.
Gustafsson thinks that the largest difference between being franchisee and self-employed is that as franchisee one has everything fairly set when starting the company. The franchisee has the franchise concept that dictates how things should be and some agreements and networks are already available whereas the self-employed have to deal with all that and have a much tougher start up period.

Gustafsson explains that when being offered to become franchisee and he had made up his mind to accept the offer he went to the bank he had as private person. Since he knew the persons working there it felt natural to contact that bank. He explains that it felt safe to have a franchise concept that was already tried out and tested previously for the bank. He did not have much experience from bank products and services before starting the company. Dealing with the bank was much easier than he had thought. Gustafsson believes that the reason for that was that he knew the contact person already. The advantage with the franchise concept was that he could show the track records of the franchise system to the bank. He explains that the bank was aware of his needs and was very supportive. When starting the company the bank was however not very aware of what franchising was and he therefore had to explain everything to them. At that time there were not many franchise systems established here. Gustafsson believes that today franchising is much more well-known with many companies being operated as franchisees. He explains that he has had the same bank ever since the start up of the company.

He does not believe that the franchisees have special needs when it comes to bank products and services compared to other small companies. He has the normal bank products and services and does not have much contact with the bank. Gustafsson can not come up with any new products or services that the bank could develop. He however thinks that the bank could come and visit the companies. If they came out to the companies their understanding for the businesses would deepen.

According to Gustafsson he would describe his relation with the bank today more as a contact than a relationship. The local bank office that he had previously has now been shut down. Gustafsson thinks that he previously had a relationship with the bank but since he had to change bank office and contact person the relation is not as close. Nowadays the bank never contacts him and he explains that for being a relationship the bank also has to contact him. Today it is only he who contacts the bank if he needs something. As a business owner Gustafsson thinks that is strange since he know just how important maintaining the relation with customers is. He explains that when loosing a customer the reasons often are the customers’ experienced lack of care, and not that some blunders have been made. Gustafsson explains that his bank is not doing anything special for keeping him as customer. However the bank is doing what he asks for when contacting them and there are never any problems and Gustafsson is therefore rather satisfied with the bank. He explains that if it would be a relationship the bank should contact him as well. He explains that usually he does not reflect so much about his relation with the bank, it is only now when talking about it that he comes up with things that could be improved.

According to Gustafsson when he expanded his business suddenly more banks became interested in his company and started calling him. Maybe two or three banks were very active. Gustafsson explains that his bank does not do much for keeping him as customer, apart from that it never have been any problems when he has wanted to do something or expand his business. At the same time they are not showing much interest in his company. He explains that he has got his insurances with an insurance company and that they are much more active. Gustafsson explains that he however overall is rather satisfied with the bank.

What has made Gustafsson not changing bank during all these years is the good start that he got with the bank. He believes that if getting a good start and understanding from the bank the customers usually becomes loyal for a long time. As long as the bank is not doing any large blunders he will continue being their customer however if it gets worse he will consider changing bank. Gustafsson states that as long as everything functions and there are no problems the bank has an easy task making him satisfied. What could make him change bank he explains would be if he accepts an invitation from any of the other banks and that they show that they are more interested in his company for example by
inviting him for activities such as snowmobile safaris. He explains that many years ago when he was customer of the other local bank office they invited him to a fishing trip where the bank presented their plans and bank products and services. That would make him feel more interesting as customer for the bank.

According to Gustafsson it would be great if the franchisor would have negotiated a package of bank products and services with the bank when he started as franchisee. In that case the bank might have been more aware of and knowledgeable about the franchise concept which took him months to explain for them. He believes that since the franchisor has had franchisees before they probably would know what bank products and services that their franchisees need. In that case he would not have had to think as much about what products and services that he would need. The risks that Gustafsson sees with such a package is that one should become too comfortable believing that all the package includes is what one needs without even considering it. Gustafsson explains that there might be some other things that the franchisor needs that none of the others have needed and therefore is not included in the package. The world is changing and agreements current years ago might not be sufficient and up to date today.

Gustafsson explains that if present such a package must be really interesting for new franchisees since if they have not had a company before they most probably do not know how things work and a good start could be the package. Gustafsson is however not sure whether he would be interested in such a package. He explains that he already have the contacts and know how things works. He continues that the same probably holds true for the other franchisees that have had their companies for some time. They have already gone through the process ones and have the necessary contacts.

According to Gustafsson franchising is much about cooperation and therefore could see a point in that all franchisees in a franchise system would have the same bank. He explains that the franchisor often negotiates various agreements with companies. Nothing has been done with banks so far. Gustafsson however thinks that it could be an idea that the franchisor could negotiate and get better terms and conditions with banks for the franchisees. He explains that the franchisees in his franchise system try to cooperate as much as possible. They for example have several meetings per year both regionally and annual meetings the whole chain where they discuss various matters.

Gustafsson does not believe that franchise systems could be a segment for banks. He though thinks that it would be good if central agreements such as the ones mentioned above were made between the bank and the franchise system. He does not believe that franchise systems are different from other businesses. Gustafsson however believes that there are some of the franchise systems that have comparable franchise concepts that are rather similar. He explains that it might be interesting if the bank had meetings with those companies and made more specific offers for respective franchise system. Advantages with being a segment for banks could be that the banks became more aware about the franchise concept and already knew about them before the franchisees took contact with the bank in the first place. Gustafsson believes that would be a great advantage for franchisees, since it took him several hours to explain for his bank what the franchise concept was. Disadvantages Gustafsson can see with being a segment are that the solutions or packages for the segment would not suit his company.

Other disadvantages with package solutions as Gustafsson sees it is that the local contacts and networks that the franchisees have will not be used as much. He believes that some franchisees that have had bad experiences from some banks would never want to become customers of those banks and therefore might choose not to become franchisees just because of that. Gustafsson therefore thinks that the franchisor should negotiate with several different banks about packages for the franchisees in the franchise system. He continues to say that another risk with being a segment is that the package offered will not suit his company. Gustafsson believes that could be solved by offering a couple of different sizes of the package. He also thinks that the bank should come out and visit the companies’ since they would get better knowledge about the companies in that way.
5.8 RESPONDENT H

The interview with respondent H took place at the respondent’s office the 19 December 2006. In an effort to make this text more readable the respondent will in the remainder of the text be called Hansson.

Hansson has been a franchisee for about five years together with two other persons that have been “passive” franchisees. They were the first company in the northern part of Sweden having this franchise concept. Hansson explains that it felt exiting and also challenging to start up something completely new. She had worked in the branch her whole life but had never been self-employed. Hansson explains that they could as well have started up their business completely on their own and not as franchisees, but she believes it would have been much more difficult. Hansson explains that in the business that they are operating in it is very important with contracts and agreements. Being just a single small company negotiating large contracts would have been harder. She explains that they chose to become franchisees to be better able to uphold a position in the competition.

According to Hansson the largest difference between being a franchisee and a small self-employed business owner is all the assistance franchisees get in various questions. The franchisor in her franchise system for example negotiates all the contacts and also manages the marketing for all the franchisees. She believes that if the company was not a franchise company she would have had to employ at least one person only dealing with those questions.

Hansson explains that when becoming franchisees she and her partners had to contact banks on their own to find financing solutions. The franchisor had nothing to do with which bank they chose. She explains that one of her partners had a good bank contact that they contacted. She did not herself have much experience from bank products and services but that one of the partners had owned a business before and was therefore rather experienced. At this time she is the one handling the contact with the bank. She explains that they do not have much bank products and services only the normal accounts, credit cards, and the internet bank.

According to Hansson there has never been any reason for her to discuss how much her bank knows about franchising. She explains that she is rather satisfied with her bank and that she believes that the bank is aware of her needs and that she gets the bank products and services that she needs. Hansson adds that it is however difficult to know whether the bank is aware of her needs. It can be so that she does not know better and does not know what else she could need and get assistance with. She explains that what she does not know of she does not miss. Hansson explains that the bank however never has asked her what she needs and that the bank therefore can not really know what she needs. She continues to say that she on the other hand have never asked for something either.

Hansson explains that she has very little contact with the bank and states that the franchisor probably has more contact with the bank since all the cash flow takes place on the franchisor’s account. The only thing that happens on the franchisees accounts is the transference of possible surplus or deficits. Hansson explains that her bank never contacts her and that she maybe talks to the bank once a year. She would not call that a relationship but rather a contact. If it would be a relationship the bank should maybe contact them once a month and go through the company’s economy. Hansson believes that the bank could be more active and give suggestions on what to do with possible surplus. She explains that the bank today never gets any investment advice and if she gets it she has asked for it herself.

According to Hansson her bank does not do anything special to keep her company as a customer. She also adds that other banks usually never contact her. For some time ago they chose to change bank to the same bank as the franchisor has. She explains that the reason for changing bank was that it should become easier to deal with transferences between the franchisor and her company when they have the same bank. She can see no difference in the range of products and services between the two banks; it is just easy to have the same bank as the franchisor. Hansson was somewhat surprised that the bank never had any feedback and asked why they chose bank. If some of her corporate customers would
change to another company she would have some sort of feedback to why they chose to change provider.

What could make Hansson consider changing bank again, would be if another bank offers the company much better terms and conditions, such as better interest rates. But explains that the terms and conditions have to be significantly better because she appreciates the simplicity with having the same bank as the franchisor. She continues with saying that what makes her continue being customer on the other hand is that everything functions well.

Hansson explains that when it comes to advice it is often the company’s accountant that she turns to. The accountant functions something similar to a bank for them. Hansson adds that it is probably their accountant that she trust in most, more than the bank personnel, and that a good accountant is more important for them than their contact person at the bank. She explains that this is probably due to the fact that her company do not have much contact with the bank since they do not have the cash flow and therefore not many bank products and services. The accountant on the other hand can help them with what they can do or not in accordance with all the tax rules and regulations.

Hansson believes that franchisees’ needs do not differ from other small companies’ needs. What might differ is that franchisees such as her company, that do not have any cash flow, probably have less contact with banks than other small businesses. She believes that for her franchise system the franchisor is probably more similar to other small businesses since they are handling all the cash flow. In that way they might need to have different products and services and different routines.

According to Hansson the franchisees in their franchise system do not cooperate when negotiate with for example providers of electricity apart from the contracts that the franchisor negotiates. The franchisees in her franchise system however have a franchise council consisting of three persons chosen that meet a two or three times a year and discuss various questions. The franchise council can for example bring up some questions that the franchisees want to discuss with the franchisor. Hansson explains that regarding the customers and their contact with the companies in the franchise system there is a lot of cooperation. It should make no difference if the customers visit the store in Umeå or in Malmö. According to Hansson the success of the franchise concept depends on how well the cooperation of the franchise system functions. If someone has tried something that did not work sufficiently it is important to share that experience with the rest of the franchise system Hansson explains. In her franchise system they have an intranet that functions very well. When it comes to running a business Hansson has experienced that it does not differ between the franchisees and the wholly-owned businesses.

Hansson believes that she would not have wanted to be offered a package of bank products and services that her franchisor had negotiated with the bank. If she would have wanted to get such a package she would not have wanted that it was the franchisor that negotiated it anyway. She explains that the reason for this is that the package in that case would be difficult to re-negotiate and that she would loose some control. Hansson believes that when being self-employed as franchisees are one still wants to have influence over decisions and have control. She also adds that many franchisees also already have their personal bank contacts established and would not want to change. She thinks it is important with the personal closeness and that it is important to be able to choose what feels best for the individuals. She adds that she might have been interested if instead it was some independent association such as the Swedish Franchise Association that negotiated the package of bank products and services. Hansson can not see any point in that all franchisees would have the same bank.

Hansson believes that it on the other hand would be good if banks had some sort of concept for franchisees. When she and her partners started up their business they already had a bank contact, but that she knows several other people starting up their businesses without having that, and for them it would be good with some sort of concept in banks for franchise companies. That would make the banks more aware about franchising and how it works. She explains that today it is only ALMI that
persons wanting to become franchisees can turn to for advice. She explains that for companies similar to her company that do not have any cash flow can have problems finding financing.

Hansson can however not see why franchise companies should be a separate segment for banks. She believes that franchise companies are rather similar to other small companies and therefore does not have different needs.

5.9 RESPONDENT I

The interview with respondent I took place at the respondent’s office the 19 December 2006. In an effort to make this text more readable the respondent will in the remainder of the text be called Isaksson.

Isaksson has been a franchisee for about three years at the time of the interview. Before Isaksson got the franchise contract from the franchisor another person had been operating the franchise concept in Umeå. The previous franchisee had not managed his company properly and as a consequence lost the franchise contract. Isaksson believes that if he had not become a franchisee had could as well had started a company as a normal self-employed. His father however owns a company and has always warned him for all the extra work that follows with being self-employed. Isaksson has therefore always been slightly sceptical to the idea of starting a company. He explains that taking over this business everything went so fast so he had not got the time to think about it. Within one month he had quit his job, moved to Umeå, and started up the company. He says that after all it was maybe good that he did not have time to think.

Isaksson explains that he chose to become a franchisee, and not a regular self-employed, because franchisees have a large organisation that supports them which feels safer than being on his own. When being a novice in how to run a company the franchisees have access to the franchisor that can help in various matters and also get access to the clientele he explains. The franchisor negotiates contract with various companies. Isaksson explains that the franchisor negotiated the premises for the company with the real estate owner. He also has a contact person at the franchisor’s organisations, but so far he has not made use of that contact very much. He has called the contact person once; usually it is the contact person that contacts him. Isaksson explains that the franchisees get assistance with marketing from the franchisor, which handles the marketing with nationwide coverage. He explains that the franchisees in his franchise system have rather free reins but that the franchisor controls them on some issues such as price and product range.

According to Isaksson there are no differences between franchisees and other small businesses. He would probably have run his company in the same manner if not belonging to a franchise system. Isaksson believes that what does differ is that there is another security with being franchisee. They know that they have support from their franchisors and also support from the other franchisees in the franchise system, that there is cooperation within the large franchise system even though they are their own. He states that other small business owners have the opportunity to join some trade or branch organisations but that they never can get the same exchange from competitors as they can get from colleagues.

Isaksson explains that franchisees do not any special information about bank products and services but that is something they have to find out by themselves. The franchisor provided some information that he could bring to the banks but the franchisor did not follow him there. He went to two banks and applied for financing but due to the short time frame he had not time to go to more banks. One of the two banks was suggested by a friend of his and the other bank was chosen to go to by chance. Isaksson explains that he presented the franchise concept and his ideas and the bank he chose was the bank that granted him a loan. The other bank wanted him to make some changes and adjustments. He also got a good first impression from the personnel of the bank chosen. They could explain many things for him which he appreciated, especially about various insurances that he would need.
Isaksson thinks that he had pretty good knowledge and experience from bank products and services since the job he had before starting this company was related to economy. That has been rather useful knowledge now when running a business he says. According to Isaksson his company uses the normal bank products and services that most other companies are using and he can not come up with any new product or services that he would like the banks to provide. He explains that the franchisees’ needs of bank products and services in comparison to other small businesses do not differ and regardless of what business one has it is the same bank products and services one need.

Isaksson think that the knowledge about franchising in the bank is varying and depending on which person he is talking to. Some of the employees are quite knowledgeable whereas the others have not got a clue. As an example of a knowledgeable person he gives the man working with insurances at his bank. He believes that his knowledge comes from his personal interest and that he seems to be interested in most things. The other contact person that he has on the other hand does not know much about franchising.

He believes that his bank is not that aware about his needs as a franchisee because the company is rather small and therefore a rather small and unimportant customer to the bank. Isaksson states that since the work is going smoothly now for the company the bank does not have to do much for keeping him satisfied. He is therefore at present rather satisfied and thinks that the bank fulfils his company’s needs.

Isaksson believes that what could make him consider changing bank would be if another bank would have more beneficial prices. He also adds that the bank he chooses must have an office here in Umeå. The bank he has for his private economy is not present here and if it would establish its presence here he could consider changing. In that case he would become larger and more important as customer for the bank and might therefore use that in negotiations with his personal economy. Isaksson believes that banks aim at different relationships with different customers and that larger customer usually are more prioritised, even though the small customers are cared for as well. What makes him continue being a customer is that he believes it will be quite difficult and troublesome to change all the bank products and services to another bank. That is what prevents him from changing bank and what has made him to stay with the bank he has.

Isaksson and the bank almost never meet and he therefore think that their relation can not be called a relationship. He explains that he had more contact with the bank in the beginning when his company still was in the start-up phase and had loans with the bank. Today the loans are repaid and he thinks that he does not need a closer contact with the bank than he already has since everything functions well. The bank does not do anything special to keep him company as customer and adds that none of the other banks have ever tried to attract and recruit him as customer.

When negotiating agreements with suppliers and such the franchise system cooperates through the franchisor Isaksson explains. Apart from that there is not much cooperation in the system. He believes that the franchisees however could benefit from cooperating more, but does not know to what extent.

At the time for the start-up Isaksson would have liked to be offered a package of bank products and services that the franchisor negotiated with the bank. Isaksson explains that when starting up a company for the first time one usually does not know what one needs in terms of products and services. It would therefore had been good if the franchisor had negotiated a package price with the bank for products and services similar to what they have done with one services; the card transactions. He suggests that the franchisor could have negotiated a basic package since the franchisor probably knows what the franchisees need and that if some franchisees wanted some extras they could negotiate that with the bank on their own. An advantage with such a package solution would be the better price that the franchisor probably could negotiate for the franchisees with the bank. Disadvantages with such a package offer could be that some of the franchisees do not even need the basic products and services. Isaksson continues that some franchisees might also not want to change bank if the franchisor only negotiated with one bank. He can not see any direct disadvantage that all franchisees would have
the same bank. An advantage could be that the franchisees could get better terms and conditions with
the bank.

If such an offer would be negotiated today he does not think he would be interested. That would be if
the price was much better than the prices he has today. He explains that the price is crucial when
running a company and if the package was negotiated with the same bank that he already such a
package would be very beneficial.

Isaksson believes that the franchise systems maybe could be a segment for banks, but that the
franchisees situation is very similar to any other companies. He believes that franchisees that are more
controlled by the franchisor than his company is are more different from other companies. Since they
are more controlled they might have different needs of products and services, that when the
franchisees are more controlled they have more special circumstances and conditions than other
companies have. Isaksson adds that as his company are having it they are just as any other company. If
the franchisees however were a segment for banks Isaksson believes that banks would become more
knowledgeable about franchising. He believes that in that case would more information about
franchising be sent also to the local bank offices. Being a segment can not mean any disadvantages
Isaksson concludes.
6 ANALYSIS

In this chapter the empirical findings will be analysed in an aim to find new aspects and nuances that can be used to better understand the phenomena and answer the problem statement and purpose for this study. The section will start with the segmentation process of the bank, Swedbank, and then continue with the potential segment, the franchisees.

6.1 MARKET SEGMENTATION – THE VIEW OF THE BANK

The section is built on the empirical findings from the in-depth interview with the respondent from Swedbank.

6.1.1 The Purpose of Market Segmentation

When doing qualitative analysis of empirical findings it can be useful to consider the situation of the company that is being studied to better understand the phenomena. Thus when analysing the empirical findings for this thesis one has to keep in mind that Swedbank is a universal bank supplying a full-range of products and services. Since they have set out to be a universal bank they are not focusing on a separate niche but trying to satisfy the needs of all sorts of individuals and companies. As a result they have many different customers with varying needs.

As mentioned in the theoretical framework it is however usually not realistic to try to satisfy all customers’ individual needs.\footnote{Kotler, P, K L. Keller, (2006), *Marketing Management*, p239-240} In an extreme scenario Swedbank could choose to either provide customers with one standard product or services by mass marketing or to tailor-make products and services for all its customers. The first option would probably not be that efficient as the customers have varying, and not the same needs. The second option would possibly be appreciated by the customers, but far too costly for the bank. Instead of these two extremes Swedbank has segmented the market. Something that is suggested by many researchers which say that segmentation can be used to overcome the conflict of wanting to satisfy the customers’ needs as individually as possible and at the same time using resources as efficient as possible.\footnote{Machauer, A, S. Morgner, (2001), *Segmentation of bank customers by expected benefits and attitudes*, pp6-17}

Grönnroos suggest that satisfying customers’ needs are of importance for attracting and maintaining relationships with customers,\footnote{Grönroos, C, (2004), *The relationship marketing process: communication, interaction, dialogue, value*, pp99-113} something that Andersson also mentions. He explains that for the bank growth is very important and that this growth is received by attracting new customers and maintaining old customers. Adding that one way of attracting and maintaining customers is to segment the market in a new way and create as sharp offerings as possible for them.

My belief is that the work with market segmentation will become even more important for banks in the future as the competition on the market grows. From the theory and empirical findings one can see that the segmentation of banks long has not been very fine tuned, but when looking at the work of Swedbank examining a potential new segment of franchisees, this is something that might be starting to change. Maybe what we see here could possibly be a start of the development of Swedbank and banks’ market segmentation.

6.1.2 How to Segment the Market

Andersson says that the bank has had the same segments for about five years and that before segmentation was nothing the bank worked with actively and nationwide. This corresponds quite well with what Meadows and Dibb argues when stating that banks and other financial services have been

\footnote{Machauer, A, S. Morgner, (2001), *Segmentation of bank customers by expected benefits and attitudes*, pp6-17}
rather slow at taking advantage of market segmentation. Other companies seem to have been much more active in their segmentation. I believe that one reason for the slow adaptation can be that banks have had a rather dominant and safe position on the market. When the market is not challenged by competitors they tend to become rather comfortable in their situation and do not bother to become more efficient and attractive.

From the theoretical framework one can learn that the objective with market segmentation is to identify and group customers with similar needs and buying behaviour into segments so that the segments can be reached with distinctive proposals. This is comparable with what Andersson says when explaining that Swedbank has divided market into different segments since they have found that companies falling into these categories have different needs of bank products and services and that the bank by dividing the market like this more efficiently can meet the needs of the customers.

Andersson compare the bank’s segmentation with a matrix with size on one axis and industry on one axis. That will say, only two segmentation variables are used and used one at a time. This is something that researchers have seen has been rather common for banks up until now, and that banks have been dividing their corporate customer markets by variables such as geographic location and sector affiliation. However I think that belonging to the agriculture- and forestry industry might not mean that one has the same needs and preferences as the other companies in this industry and that these segments are more likely to only describe the future buying behaviour than to predict it. Kotler state that companies have an unlimited number of variables which they can use when trying to find the best way to view the market structure and I believe that the banks’ broad segments could probably be better fine tuned so that more effective marketing for the corporate customers can be created.

The segmentation approach used so far by the bank I would interpret as a break-down approach, which is common for the transaction marketing perspective. The bank seem to have started with the whole customer base and then divided up the market into more manageable parts. The build-up approach on the other hand starts with the idea that buyers are unique and different and that when having a relationship marketing perspective it is more suitable with the build-up approach than a break-down approach. When looking at the work of Swedbank with establishing whether franchise systems are a new segment, it seems to me to be a development towards more of a relationship marketing philosophy with the bank having more focus on the customers’ needs and using a build up approach. For example, they have found that franchise systems have a more time- and effort consuming work with finding financing than other companies and therefore needs a package of products and packages, i.e. the bank is starting with the unique needs of some customers and then building up the segments.

6.1.3 Advantages and Disadvantages with Market Segmentation

Dibb et al mention that by segmenting the market companies can get better understanding of their customers’ needs and wants, more satisfied customers, and better resource allocation. Andersson suggests that market segmentation can lead to cheaper and easier operations for the bank and that they can make more custom-made solutions for the segments. Similar to what Machauer and Morgner state Andersson says that the bank on the one hand want to create as custom-made solutions as possible since then customers becomes more satisfied, but on the other hand the bank can not offer custom-made solutions to all customers because it would be too costly. He explains that how unique the bank can make the product and service packages depends on the size of the customer.

162 Ibid, pp 266-285
165 Ibid, pp473-486
167 Machauer, A. S. Morgner, (2001), *Segmentation of bank customers by expected benefits and attitudes*, pp6-17
Andersson believes that the bank probably often has not been that aware of franchisees’ needs and that they since belonging to the “small company segment” have often been offered solutions that the bank usually offer small companies. He believes that even though franchisees generally have the same needs of bank products and services as the other small companies, due to the business concept and their personality franchisees do have some unique needs, such as an easy and simple package of bank products and services. As a result if franchise systems are found to have similar and unique needs they are large enough for the bank to be able to create packages that are, or at least feel, custom-made. In that way the bank should probably get more satisfied customers. However if the franchise systems do not have different needs but are similar to all the other small companies, it might be unnecessary to create a new segment and waste of money.

Similar to what Dibb mentions I believe that it is important that companies are aware that segments must be meaningful for the customers as well, and not just to the companies otherwise the advantages with segmentation will not be achieved and the bank will have problem with developing distinctive and suitable marketing programs for the segment. I therefore think that Andersson makes an important point when saying that the creation of a new segment with franchise system will be a win-win solution for the bank and the franchise systems since they all will benefit from cheaper, easier and more suitable solutions.

From the theoretical framework one can see that an advantage with market segmentation is that when used effectively it facilitates the development of a competitive edge over competitors. This is something that Andersson is also mentions when saying that if the bank finds a new segment and creates special solutions for that segment the bank will become exclusive, although just for a little while. He continues to say that exclusivity is something the bank works with continuously which is something I however doubt previously has been the case for banks as I have often heard and read that customers find banks rather similar to each other. However, if now starting aiming at creating as sharp offerings as possible for different segments this might make the banks not as homogenous as maybe has been the case previously.

Andersson states that it is important to be the first with new things since one in that way achieve first-mover advantages. For example if the bank is the first to offer something new on the market it might attract more new customers and be seen in a positive light. I also believe that by being the first with something new can also mean that the bank become more able to maintain and enhance relations with their old customers since the new segments and solutions might and should suit the customers better.

Comparable to what researchers for example O’Donnell et al state Andersson mentions that personal contact is very important for both the bank and their customers, especially for the corporate businesses where more risk is involved. I therefore believe that relationship marketing will be the perspective that banks in the future have to aim at with customers particularly with the corporate businesses. Andersson states that they theoretically speaking have different relationships with different customers and that the aim is to have long-term relationships. He explains that they want to create as good solutions as possible so that the customers want to remain their customers for a long period of time, which I find sounds sound.

From the empirical finding I can draw the conclusion that the bank seems to have problems with spreading good solutions throughout the entire bank. Andersson explains that up until now there have been some personnel which have had much contact with for example franchisees and as a result have become very knowledgeable about the needs of those customers, being able to create good solutions for them. Spreading good solutions is therefore something that I believe banks have to work on. Andersson believes that by creating a segment of franchise systems the bank will become better to spread good ideas, solutions, and knowledge throughout the bank which is good.

6.1.4 How to Know and Decide That It Is a New Segment

Andersson explains for deciding and knowing that franchise systems is a potential new segment for the bank they have set up a hypothesis and now work with establishing what franchisors and franchisees think about the idea in an effort to confirm or prove the hypothesis false. I guess that this could be similar to what Minhas and Jacobs describes the a priori approach that banks often have used, first finding the segment and then looking at the members of the segment’s behaviour instead of first identifying a certain kind of behaviour and then finding out what kind of people or companies that are grouped in the segment.170 Before the interview I thought the banks worked more with post hoc segmentation using different statistical methods and was surprised that much such work was not conducted by the bank at the moment. Instead banks’ work with segmenting the market seems to be less systematic.

As mentioned in the theory chapter segments are distinct group of buyers who differ in their needs and preferences and that companies therefore try to segment the market by identifying groups of buyers with needs that are as similar as possible within each group and dissimilar between each group.171 Andersson explains that franchise systems can become a new segment for banks if some common denominator is found that makes them unique and different from the other companies and the new segment also has to give the bank more business opportunities otherwise there would be no point having that segment. That seems to be a reasonable reasoning by the bank, that by having this segment the bank will be able meet these customers needs more satisfactorily and therefore create a win-win situation where the both the bank’s and customers’ needs more satisfactorily is fulfilled. Andersson also states that the criteria that the potentially new segment has to fulfil for being effective is that the segment has to be demarcated, unambiguous, and measurable, so that the segment can be measured and marketing activities can be directed to them. These criteria are similar to the segmentation criteria mentioned in the theoretical framework.172

Andersson explains that the bank however will not know whether the potential segment found is a true segment until after a while. If deciding to create a new segment they have to follow up with tests and measure whether the bank is making more money after the introduction of the new segment. I assume that the logic behind this is that if the customers are not satisfied with the new segment and solutions offered they will change bank, new customers will not be attracted, and the tests in that case will show that the bank in fact is not making more money after the introduction of the new segment. This can be compared with what researchers such as Kara and Kaynak state when saying that if the segment does not fulfil some sorts of criteria there is probably no meaning creating the segment.173 What segmentation criteria that the bank had was interesting to learn since how to establish whether a segment is a segment in reality was something that I had not considered previously.

Another interesting aspect is how companies actually decide whether to create a new segment or not. From the empirical findings I learned that whether the bank will create a segment with franchise systems depends on many different factors. Andersson states that it has to be placed in a larger perspective and issues that will influence the decision is for example if the bank has other issues in the pipeline with higher priority, how the bank chooses to allocate resources that year, and also internal politics. Another decision that has to be made is as well if creating a new segment how to introduce it to the market, with a large big-bang or not. My conclusions would be that how decisions are made regarding segmentation and other issues are therefore not always as rational one can think and coincidences can also influence what roads companies choose to take.

173 Ibid, pp873-895
6.2 MARKET SEGMENTATION – THE VIEW OF THE FRANCHISEES

Since researchers such as O’Loughlin and O’Donnell et al argue that the relationship marketing perspective is very suitable for the banks and other financial service providers especially for those dealing with corporate customers, I have tried to use a relationship marketing perspective when analysing the empirical findings.

6.2.1 THE SITUATION AND RELATION WITH BANKS – IN THE PAST

This section of the chapter that analyses the view of franchisees is divided into three parts looking into the franchisees’ situation and relation with banks. This first section analyses the franchisees’ situation and relation with banks in the past.

6.2.1.1 Why Franchisee – Buying a Package?

As mentioned in the background section of this thesis franchising gives individuals who want to start up a business the opportunity to do so without starting completely from scratch but with the access to a well-tried business concept. From the empirical findings I can learn that this is also the reason to why many of the respondents chose to become franchisees. Respondent E for example says that since the franchisees get access to a successful business concept they are able to get started almost from the first day as business owner. Many of the respondents think that the largest difference with being a franchisee instead of self-employed comes from the franchise concept, that the franchisees get access to a tried and tested franchise concept, and that they have the franchisor that supports them in various matters. Respondent D explains that by choosing franchising he got a start up package that made it easier to get going.

Other reasons mentioned by the respondents to why they chose to become franchisees were that the franchise concept limits the risks that come with being a business owner. For example respondent I explains that his father had always warned him about the risks and work that follows when being self-employed whereas respondent E mentions that when having a family and everything that follows such an obligation one is less tempted to take the risks involved with starting up a business concept from scratch. This corresponds well with Morrison and Lashley that state that the franchise concept provides the franchisees with a sort of success formula that limits the risks involved. This could be an indication to that maybe franchisees are slightly more risk reverse individuals than other small company owners sometimes stated by researchers and as well as mentioned by Andersson in the interview with him. Many of the respondents however states that they could as well have started an independent small company as well and some of them have also had their own companies before. Could it be so that even though saying that one could start a company is easier than doing it? From the interviews I get the feeling that it could maybe be so that the franchise concept more frequently attracts individuals that maybe are slightly more risk averse than other self-employed company owners.

I believe that the aspects mentioned above might have been the reason to the thought that Swedbank possibly had, or at least that I had before the interviews, that since the franchisees are buying a business concept alike a package from the franchisor they would also possibly be interested in such a package solution from banks that the franchisor had negotiated for them. This is something I will come back to later in the chapter.

174 O’Loughlin, D, I, Szmigin, P. Turnbull, (2004), From relationships to experiences in retail financial services, pp522-539
176 Sorensen, O, J B. Sorensen, (2001), Finding the right mix: franchising, organisational learning, and chain performance, pp713-724
177 Morrison, A, C. Lashley, (Sep2003), A franchise: a resource-rich small service firm?, The service industries journal, pp135-149
6.2.1.2 Why Franchisee – Other Prerequisites?

Another thing mentioned by some respondents was that by becoming a franchisee one gets other prerequisite than other self-employed. Respondent C mentions that since being franchisees they become much stronger in negotiations. Respondent B and H say that becoming franchisees was necessary for being able to uphold competition and that it would have been more difficult to negotiate agreements with suppliers if not having a chain store as support. That is something that Sorenson and Sorensen also argues when stating that franchisees get access to large-scale advantages that otherwise not would be possible to obtain as a small business owner. Something that the franchisees often come back to in the interviews that when being franchisee one can concentrate on the store and focus to be good at the core parts of running a business and the rest one can get assistance with. Other differences that was expressed by some respondents which were of a more negative character was that with being franchisees they become more restricted and controlled than normal small business owners something that corresponds with what Sagell mentions. An interesting element mentioned by respondent I together with respondent F is that franchisees benefits and have much more exchange from their franchisee colleagues than other companies can. Other companies can join business networks but the exchange between potential competitors will never be as fruitful as the exchange between the franchisees and that even though they are kind of competitors they are still belonging to the same system working towards a common goal and therefore more willing to help each other.

From this I conclude that even though the franchisees do not think that they are that much different from other self-employed small business owners they have some prerequisites that make them different. For example from the section above one can conclude that using a franchise concept is less risky than starting up a completely new business concept and also that being a franchisee one gets large-scale advantages in negotiations with other parties as well as can by using and talking to the franchisor and the other franchisees one get access to a network of knowledge and valuable discussion forums. I think these prerequisites that franchisees have could be used more often and more efficiently if appreciating the benefits it can bring. The thing is that when being a franchisee one also has to be able to change between being a team player and a team leader, something that can be rather difficult. If one only wants to be a team leader and entrepreneur it will be difficult and one will miss some opportunities that networking and working together can bring. If one only wants to be a team player one will have difficulties with running and owning a company. Something that respondent F has experience in his franchise system saying that the franchise system has employed many franchisees that too much see themselves as employed instead of being a business owner.

6.2.1.3 Deciding on a Bank

From the empirical findings one can draw the conclusion that if the respondents already had a good bank contact, either because the company existed earlier or that the respondent had a good private bank contact, they did not go to several banks to find financial solution to the up-start but went to the bank they knew instead. This corresponds well with what Zeithamle and Bitner state when saying that relations between customers and their bank give customers a feeling of trust and confidence in the service provider as well as a feeling of familiarity or even social relationship that will make them less likely to switch. For example respondent C, G, and H all had good relation with a bank which they later also went to for finance when starting up their companies. Respondent I and D that did not have any special relation and seem to have been more rational going to two and four banks respectively before deciding on which bank to choose. A similar procedure the one of respondent F who went to three banks but was not granted financing from neither of the banks since his franchise concept had have an unsuccessful record in Umeå previously.

179 Sagell, D-M, P. Carlsson, (2005), Franchise – praktisk handbok för franchisegivare och franchisetagare, p30-32
180 Zeithamle, V. M. Bitner, (2006), Services Marketing; integrating customer focus across the firm, p183-186
Madill et al states that in the corporate banking business companies can do business with as many as five banks but this however does not seem to be the case for the respondents. Many of them state that they only deal with one bank or one bank for the company and one for their private economy. It is only respondent C that explains that he matches his company’s bank toward the franchisor which is acting as a bank. Since his franchisor has its own financial department it can negotiate better terms and conditions with their bank than is possible for the franchisees with their banks and as a consequence he can often achieve better interest on the savings with his franchisor than the bank.

Comparable with the hypothesis that the bank is working with that Andersson mentions respondent E explains that since he did not have much time to shop around among banks he chose the bank he recently had changed to as private person. He says that he though can reconsider this choice of bank at a later point in time. That could be compared with the idea that Andersson mentions that hypothesis of the bank that searching for financing is time consuming and something franchisees would like to avoid for instead being able to focus on other things. The time consuming phase at the start-up of company is something that some respondents come back to when discussing the banks’ knowledge of franchising. Respondent B and G explain that it took long time just to explain franchising and the franchise concept for the banks.

6.2.1.4 The First Contact

As stated in the problem discussion franchising is becoming more common as business format. That is something one can sense and notice from respondents’ answers in the empirical findings as well. It seems to be so that depending on when the respondents have become franchisees the knowledge of franchising has differed. As time passes by the banks have become more aware of franchising and the franchise concepts different characteristics. When for example respondent B started up her franchise company for about five years ago she had to explain everything to the bank which was not familiar with the concept at all and thought that all franchise companies were as McDonalds. Something that respondent G experienced that also is rather old in the game and thought it was very time consuming having to explain everything for the bank. However respondent C had a different experience when he started up his franchise company for twelve years ago and explains that he has never had any reason for questioning his bank’s knowledge of franchising. The reason for this I believe is that respondent C’s company already existed when changing to the franchise basis and that the bank therefore knew that the concept was working since the franchise concept only meant changing name and trademark. The same scenario could hold for respondent H as well that also knew and had a good relation with their bank.

For the newer franchisees the knowledge about franchising in the banks seems to be varying and deviate depending who they are talking to. For example respondent E thinks that his bank contact and accountant is knowledgeable about franchising and believes that is because they have had franchise companies as customers whereas respondent D thinks that the banks do not have to be knowledgeable about franchising since franchise companies are as any other businesses. Respondent I has experienced that depending to who he is talking to he knowledge about franchising at the bank differs and believes that it depends on the personal interest of the employees. I believe that it can be as Andersson explains that the knowledge about franchising is varying depending on how much the employees have met and worked with franchisees or the franchisors and think it would be good for banks if they could be better to spread knowledge over the whole bank.

Another interesting opinion mentioned that goes in line with Swedbank’s ideas is the opinion of respondent F who means that the bank is not that aware about franchising and franchise systems since they see the franchise companies in one franchise system as separate entities.

---

When having established the first contact with banks and decided on which bank to choose we come to the matter of what bank products and services that are used by franchisees and whether they differ from other small companies. However all the respondent explain that they use similar bank products and services that all the other small companies are using and they state that they do not believe that franchisees have different needs of bank products and services. In the beginning most of them had bank loans and at the moment the older franchisees have repaid these loans and only use internet banks, bank accounts and such. Neither of them can come up with any new products and services that they would like to get from banks. I will come back to this later in the analysis, I believe it could be so that what one does not know one does not miss and that some aspects could make franchisees different from other small companies such as their special prerequisites.

6.2.2 THE SITUATION AND RELATION WITH BANKS – TODAY

This is the section where I analyse the franchisees’ situation and relation with banks today.

6.2.2.1 Relation or Contact?

If banks are aiming at having a relationships marketing perspective, building relations in some form should be an important part of their work and they should not just focus on the transactions. As one can see in the theoretical framework Grönroos states relationships between two parties are thought to create added value on top of the products and services exchanged. It is however not possible or profitable for companies to have close relationships with all their customers in all situations. Instead there are different possible levels of relationships and different customers will create and experience different levels of relationship closeness and strength.

From the empirical findings one can see that many of the respondents state that they have very little contact with their banks, and that therefore the relation with the bank only can be called a contact. For example respondent B, F, G, H, and I view their relation with their banks more as a contact than a relationship, whereas respondent C and E see their relations more as a relationship than a contact. The respondents that view their relation with the bank more as a relationship seem to have more often contact with the banks or some closer connection. Respondent C has had the same bank contact for many years and explains that their relationship is a mutual giving and taking and that they understand each other well. Respondent E also thinks he has a relationship with his bank since they have contact with each other rather often and then can talk about various things and not just the business affairs. The other respondents that view their relation with their banks more as a contact explains that for being a relationship there should be more contact between the bank and the respondent and also that the bank should have a long-term perspective on the relation and be there for them in all weathers.

If evaluating the intention for having a relationship marketing perspective one could wonder what the reason was for the little contact between the banks and the customers. The interviews show that the reasons for it in fact vary. Respondent B, C, H, and I explain that they do not need much contact with their banks since they have not got much need for bank products and services today and what they have functions smoothly. Many of the respondents say that they had more contact with their banks in the beginning when having newly started up their companies and therefore had loans and such. The reason to why respondent E seem to have more contact with his bank than the rest of the respondents might be that he only has had his company for six months at the time for the interview. Many researchers states that relationships are often closer between banks and their corporate customers than between banks and their private customers since the corporate banking business is considered more

---

183 Grönroos, C, (2004), The relationship marketing process: communication, interaction, dialogue, value, pp99-113
complex and involving large amounts of money and risks.\textsuperscript{185} Since the respondents are franchisees considered as rather small companies, it might be the case that they might that they do not need a closer relation with their banks than the relations that they have today.

However some of the respondents would in fact like to have more contact and interest from the banks. Respondent F and H would like to get more advice from their banks and respondent G explains that if some bank would show more interest in him and invite him on activities he would in fact even consider to change to that bank. Since respondent does not have his financing with a bank he aims at getting that and that he in this way would get a personal bank contact person that more actively could come with advice. Respondent H explains that she would like to get suggestions on what to do with profits but that the bank is not very interested in her and never contacts her since her company does not have any cash flow. The reason for this experienced non-interest from the banks could maybe be as O’Donnell et al say that there often is a difference in the nature of the relationship between banks and their corporate customers depending on the size of the customers and that as companies expand their businesses and get more complex financial needs their bargaining power increases and that the smaller companies therefore are more dependent and want closer more socially based relationships with their banks.\textsuperscript{186}

Many of the respondents are however overall rather satisfied with their relationships or contact with their banks. The conclusion that I draw from that is that some of the respondents might not want or need more than a contact with the bank today. It might be similar to what Grönroos says when stating that the relationship might be in a passive or active relational mode, that in the active relational mode the customers seek contact whereas customers in a passive mode are satisfied with the understanding that when needed the company will be there for them.\textsuperscript{187} What some of the respondents though think is that the bank is not there for them when they needed the bank, for example respondent B at the time she was shutting down one of her stores. Respondent F and G on the other hand are maybe in an active relational mode and wish to have more contact with the bank than they get.

Going back to the discussion of the small business format versus the interest they get from banks. Some respondents, for example respondent B and I in the interviews express a feeling that since they are rather small they are less attractive for the banks than their larger counterparts. The interviews seem to show that the franchisees because of their small format get rather little interest from their banks. Many of the respondents state that neither their bank nor other banks contact them very often and that their banks do not do much to keep them as customers. This can be compared with what Leverin and Liljander say when stating that it is not possible for companies which have large customer bases to have relationships with all the customers and that because the engagement in different segments probably will result in different returns the extent and scope of relationships will most likely differ among different customer segments.\textsuperscript{188} From this one can speculate and assume that if the franchise systems would in deed become a new segment for banks the relative small franchise companies might get more attention from the banks and feel more attractive. The reason behind this would be that since the franchisees and franchisors together would bee seen as a larger customer for the bank the bank would probably change their relationship approach with them.

\subsection*{6.2.2.2 The Banks’ Awareness and Fulfilment of Needs}

As mentioned in the theory Grönroos and Lindberg-Repo emphasise that if having a relationship marketing philosophy it is important that the objectives of all parties are met and that the promises

\begin{flushleft}
186 Ibid, pp273-284
\end{flushleft}
made are fulfilled. If that is not the case, neither of the parties involved will be satisfied and maybe leading to the termination of the relation. When asking about the bank’s awareness of their needs respondent B explains that the bank is much more aware about her company’s needs today than for a couple of years ago, that the bank has become more active and suggests various packages for small companies, something that the bank never did before. Respondent C, E, G, H also think that their banks are aware of and fulfil their needs. Many of them mentions that they are not using many bank products and services which is resulting in that do not have much contact with their banks explaining that it therefore is easy for the bank to make them satisfied. Respondent H makes another interesting point when saying that it is difficult to know whether the bank is aware of her company’s needs. She explains that it can be the so that she does not know better and does not know what she could need and get assistance with from the bank. What one does not know of one does not miss?

If relating this to the question and answers whether franchisees are different and have unique needs I started to think that can it be so that perhaps franchisees have different needs that they do not know of, and therefore do not think they are different and have different needs of bank products and services. In that case if the bank sees the potential in franchise systems and focus on them, they might come up with products and services that will better satisfy the franchisees present and latent needs. Since some of the franchisees say that a package of bank products and services would be interesting for them, especially when starting up the business, the franchisees maybe have a special need of an easy and fast financial solution, a need which could be solved with an easy and fast package of bank products and services.

6.2.3 What Makes Companies Change or Not Change Bank?

Many of the respondents state that keeping down the cost is always important for company owners since they want their companies to be making profits. That is the goal of most businesses. Reasons for changing bank that the respondents give are for example that if another bank has better terms and conditions than the bank they have at the moment. Respondent F says that he could consider changing bank if there were another bank that were offering products and services that suited his company’s needs to better prices. Apart from better price and conditions the relation seems to be very important for most of the respondents. For example respondent B explains that a functioning relation makes her continuing being a customer and respondent C explains that since his relationship with the bank goes back such a long time something exceptional has to happen before he would consider changing bank. Respondent F that does not have a personal contact at his bank says that he could consider changing bank to a bank that has slightly worse range of products and services if they offered him a more personal relationship with a contact person. The rest of the respondents have similar stories to what could make them change or not change bank. Another thing that came up was that what makes for example respondent I not changing bank is that it would be rather troublesome and difficult to change bank. I believe that this is interesting information for banks that want to attract as well as keep customers.

6.2.3 The Situation and Relation with Banks – in the Future

This is the section where I analyse the franchisees’ situation and relation with banks in the future.

6.2.3.1 Cooperation in the Franchise System

In the interview with respondent G he mentions that he believes that franchising is much about cooperation something that Sagell and Carlsson also state when describing the cooperation between the franchisor and the franchisees as the heart of franchising. Many of the respondents explain that the agreements that the franchisor negotiate with suppliers constitute the largest share of their

---

cooperation and that by cooperating they can get better prices on the products and services than they otherwise as a self-employed would be able to get. Respondent D also adds to this discussion that not only the price but also the service gets better when they have central agreements with suppliers. Many also mention that another advantage with being a franchisee that belongs to the cooperation subject is the network of colleagues that the franchisees get access to in their franchise system. Respondent I explains that other business networks never in comparison can be as fruitful for business owners as these networks of colleagues.

I believe that franchisees have different prerequisites than other small self-employed companies due to the fact that the franchisees are belonging to a franchise system and therefore can become more powerful in negotiations. They can be seen as trade unions that operate pressure on the employers in various negotiations. If they would cooperate more they probably would be able to put more pressure on providers of products and services. However, the thing is that since the franchisees already are to some extent restricted and controlled by the franchise contract with their franchisor they might not want to cooperate more than they do at the moment if they want to feel more independent.

6.2.3.2 Package of Bank Products and Services

The empirical findings show that many of the franchisees would have wanted to being offered a package of bank products and services when starting up their businesses. Respondent B explains that it would have created tempo in the start-up process and saved some valuable time. Similar thoughts does respondent C express when stating that it would have been good with a package from the bank since he already had thousand things to think about when starting the company. This is comparable to the hypothesis that Andersson mentions that Swedbank is working with which state that one of the most difficult and time consuming phase for franchise systems today is to arrange with financial services and solutions and that it is something they would very much like to find a different solution for. Other aspects mentioned by some respondents that would be positive with such an agreement are that banks would become more aware about franchising and franchise systems. Respondent G says that since the franchisors have had franchisees before they should probably know what their franchisees need and explain the concept for banks. In this way the banks would also become more knowledgeable at the same time. Respondent B mentions that she believes that the banks would become more aware of the franchise systems life-cycles as well. Respondent I would also have wanted a package of bank products and services when he started his business and explains that when one is new and has not had a company before one does not know what one needs in terms of bank products and services but that the franchisor probably knows.

Even though being positive to the idea of a package of bank products and services the respondents see various negative aspects that it could bring. One aspect mentioned by respondent C is that such a package could make it more difficult for the franchisees to make comparisons with what other banks are offering and that the franchisees could loose the overview of what they are buying. Respondent G also mentions that a package not negotiated by him could mean that he would become too comfortable, believing that the package includes all what he needs, when in fact that not is the case.

However not all respondents say that they would have been interested in such a package of bank products and services. The most prominent reason to why this is the case is that the respondent wanted to decide and formulate terms and conditions by themselves something that for example respondent E mentions. I believe that for some people that want to do everything their own way this kind of package solution that the franchisor negotiates for all the franchisees in the franchise system is not interesting. But as stated above I believe that franchisees have different prerequisites than other small self-employed companies just because they are belonging to a franchise system. If negotiating they can become more powerful in negotiations and put pressure on different suppliers of products and services. However, the thing is that since the franchisees already are to some extent restricted and controlled by the franchise contract with their franchisor they might not want to cooperate more than they do at the moment if they want to feel more independent. An example could be respondent H that says that she would not have been interesting in a package offer from the bank at least not if it was the
franchisor that had negotiated the package giving the reason for this that it would be difficult then to renegotiate and that she would loose control but would be maybe be interested if an independent actor negotiated for her with the bank. I believe that the reason for this argument by respondent H is the seemingly centralised agreement that respondent H has with her franchisor. She does not want to loose even more control to her franchisor. Probably much also lies in the franchisees’ trust to the franchisors that they will negotiate a good package as good as it gets.

In the interviews respondent C came with an interesting suggestion that the possible package of bank products and services could come in three sizes; small, medium, and large package where the small package only consisted of basic financial products and the large more wide-ranging, similar to when buying a car. I believe that this is an interesting idea that banks can apply when creating packages of products and services. But as Andersson mentions the segment has to be large enough if it is to be worthwhile for them. That means that creating several different packages for franchise systems to choose between could make it not worthwhile for the bank if each of the packages has too “few” buyers. Maybe the idea of respondent I is more of use when mention something similar but saying that the franchisor could negotiate a basic package and then could the franchisees if they want some more products and services buy them from the bank on their own.

When asking whether the respondents would be interesting in such a package of bank products and services that the franchisor had negotiated with the bank today many of the respondents answers that they would not be interested. They state that at the time of the up-start of their companies such a package would be interesting for them but after eventually when they have been running their companies for some time and learnt how to do it and what they need as well as established bank contacts they are not as interested in such a package. For example respondent G says that he is not sure whether he would be interested today since he knows what he needs and also already has a bank contact. Similar to what respondent C who also has had his company for many years and has a good relationship with his bank that says that since he already has two good options in his bank and his franchisor he would not be interested. Respondent E think that he would not have been interested in a package solution that the franchisor had negotiated with the bank at the up-start of the company and not today six months later either since he think that the bank contact is something he wants to handle on his own. Respondent I and D seem to have a rather rational attitude as consumers stating that they only would be interested in such a package today if it meant much better terms and conditions. Something that I think holds for most customers, if the offer is not better why would one change? A better offer could however be different things for different customers, better relationship, better price, better services etc. However as mentioned in the interviews holding down costs are always important for companies and price has therefore a high priority. Respondent F is the only of the respondent that clearly state that he would be interested in a package of bank products and services today. From the discussion above I draw the conclusion that for getting the best penetration it must be important that the banks are offering these packages to the franchise systems already early in the franchisees’ start-up phase, either when new franchisees are added to the existing franchise system or when the whole franchise system is completely new. It will be more difficult to attract already existing franchisees with such a package.

6.2.3.3 Point of Having the Same Bank as the Franchisor

If the franchise system is to accept a package offer of bank products and services a large part of the system at least will have to have the same bank. I therefore wanted to ask and see whether the franchisees thought there were any points of having the same bank as the franchisor. It turned out that many of the respondents for example respondent D and F does not see any point of having the same bank as the rest of the franchisees if not for some negotiation reasons. Respondent B can also not see any point in that all franchisees would have the same bank and explains that it would be difficult to make the franchisees to change bank if they already had a good relation with another bank. Respondent C is of a similar opinion saying that it would be impossible to make a whole franchise system to have the same bank as long as the franchise system is not completely new being established from scratch. Franchisees that already have had a company or have been franchisees for some years
already have created contacts and relations with banks. I think this strengthens the discussion above that the banks probably have to be with the franchisees early in game when they are establishing their businesses otherwise the banks will have a tougher time trying to attract them.

6.2.3.4 Segment or Not?

As a reminder the intention with market segmentation is explained by Meadows and Dibb to group customers with similar needs and buying behaviour into segments so that each segment can be reached with a distinct marketing program. For being a segment franchise systems therefore have to be a distinct group of buyers that differ in their needs and buying behaviour, something that also Andersson states in the interview with him. From the interview with the respondents however one can see that the franchisees do not believe that they are that different from other companies and explaining that for example running a franchise business is not different from running other businesses and that the bank products and services that they are using are similar to what other small businesses are using. Respondent H does also not think that franchisees differ from other small companies in their needs and states that when it comes to running the business the franchisees and the wholly-owned companies in her franchise system are similar to each other. Both respondent E and I explain that they would have been running their companies in the same way and that the daily work would be the same if they had started their own business concept from scratch. Respondent C and F do not think that franchisees are different than other companies and can therefore not see why they should be a segment. When however reading the section on package of bank products and services I got the idea or feeling that could also be as respondent H says when saying that what one does not know of one does not miss. Since the respondents say that they would be interested of a package of bank products and services they have a need for a fast and easy package of financial solutions. Maybe there are also other things and behaviours that make them different when investigating more closely due to their business format as well as maybe their personality.

On the other hand respondent C believes that franchise systems could in fact become a new segment for banks since franchising is safer than other business concepts and therefore more interesting for banks. She does not believe that franchisees have different needs than other companies but believes that franchise systems have prerequisites that differs from other banks that makes them differ. That is something that many of the respondents do point out make the franchisees different. Respondent F does not think that franchisees have different needs of bank products and services but what differs between the franchise companies and other small companies are the persons running the business and that many of the franchisees are missing some knowledge of how to be a business owner.

When deciding on what companies to choose for the interview I used divided the selection frame in three different categories depending on whether it was a large or small system, what industry they belonged to, and whether there were more or less franchisees than wholly-owned branches. My aim was to be able to find as different respondents as possible so that by that means as many sides of the phenomena as possible becomes visible. After analysing the empirical findings the categories or aspects of the respondents chosen does not seem to be something that makes the franchisees clusters in their answers. One aspect that I thought could make franchisees heterogeneous before the study was whether they were belonging to a franchise system that was more centralised or de-centralised. Whether the franchise system is more centralised or more decentralised was however not something one could know before the interviews and therefore not used. After the interviews one can however see that respondent D and I think that franchisees are not different from other small companies, but add that franchisees that are more centralised might differ more. Something respondent H, which seems to be rather centralised, also mentions when stating that her company does not have any cash flow and that the franchisor therefore is more similar to other small companies in their needs of bank products and services. The degree of centralisation of the franchise system therefore seems to be.

---

191 Meadows, M., S. Dibb, (1998), Assessing the implementation of market segmentation in retail financial services, pp 266-285
something that does affect the issue of segmentation since the respondents think that centralised franchise systems differ more from other small companies than decentralised franchise systems.

Similar to the answers on the question regarding the package of bank products and services many of the respondents mention that an advantage with becoming a segment for banks could be that banks would become more knowledgeable about franchising and the franchise systems something that the franchisees see as very beneficial for them. In comparison to what Andersson says respondent I also mentions that he believes that by becoming a segment the whole bank would become more aware and knowledgeable about franchising compared with today when often only a few persons of the personnel has profound knowledge. Disadvantages mentioned regarding possibly becoming a segment are related to being not seen as individual companies. For example respondent E thinks that there would be a risk that the franchisees would be seen as a flock and not as individual companies if becoming a segment for banks. Respondent B also mentions that a disadvantage with being a segment could be if the segment was stamped as something bad and that if that would become the case it would not be good to be included in that segment. Well, only time will tell how the future for franchise systems and banks will be.
7 FINAL CONCLUSIONS

With this concluding chapter I will present the final conclusions of this study. In an aim to make it easier for the reader to follow the discussion the problem statement and purpose of the study will once again be presented and thereafter answered one by one. The chapter will be finished off with some suggestions for further research of the problem area.

7.1 THE PROBLEM STATEMENT OF THE STUDY

The problem statement is as follows:

*How do banks work with market segmentation?*

Banks and other companies can segment the market in various ways using various variables and methods. Up till now the segmentation by banks have not been very fine tuned only using rather simple variables and methods. Swedbank for example has divided their corporate customer market in six segments depending on the companies’ size and branch.

This study of Swedbank’s work with establishing whether franchise systems can be a new segment for them also shows that banks shows that something might be starting to change. The bank seem to aim at a relationship marketing perspective and their view of market segmentation seems to develop towards more of a build-up approach. As for example, they have found that franchise systems have a more time- and effort consuming work with finding financing than other companies and therefore needs a package of products and packages, i.e. the bank is starting with the unique needs of some customers and then building up the segments. What we see here could possibly be an indication on a development of Swedbank and banks’ market segmentation.

Segmentation is still though not very natural and prioritised as it is for many other companies and it seem to be worked with as the need pops up and is noticed. As competition on the bank market grows I believe the work with market segmentation for banks will become even more important in the future.

7.2 THE MAIN PURPOSE OF THE STUDY

The main purpose of this study is as follows:

*Based on the problem background this thesis aims at developing a deeper understanding of how the banks conduct market segmentation by studying the example of the potential segment of franchisees and their franchisors.*

Apart from what is already mentioned above I also draw the conclusion that Swedbank seems to have problems with spreading good solutions throughout the whole bank. For example both the franchisees and the respondent from Swedbank explain that depending on what sort of customers the personnel previously have worked with accompanied by their personal interest make the bank personnel’s’ knowledge and ability to create financial solutions vary. The respondents believe that by creating a segment of franchise systems the bank will become better to spread good ideas and solutions throughout the whole bank and that the bank will gain better knowledge about franchising.

7.3 THE SUBORDINATE PURPOSES OF THE STUDY

Below follows a presentation of each of the subordinate purposes, together with a short summarisation of how these purposes have been fulfilled.

*Learn what franchisees think about their situation and relation with banks.*
In brief, the respondents seem to have and have had different relations with their banks. Most of them are rather satisfied with their contact or relationships with their banks. There seem to be the case that relationships can be in either a passive or active relational mode, that in the active relational mode the customers seek contact whereas customers in a passive mode are satisfied with the understanding that when needed the company will be there for them. Some of the customers however might be in an active relational mode but where the bank on the other hand does not have an active relationship approach with them. If franchise systems would becoming a segment this is something that might change since franchise systems would larger and being able to put more pressure on the banks.

*Clarify the market potential of franchise segment for banks.*

The market potential for franchise segments for banks seems to be rather good. Even though franchisees do not see themselves as different from other small companies having different needs some prerequisites makes them different and interesting for banks. The franchisees seem to be interesting in a package of bank products and services at least when starting up their businesses. It can maybe be as one respondent mentions that what one does not know of one does not miss.

*Give suggestions of aspects that might be valuable to consider for banks when examining the potential for a new segment of franchisees and their franchisees.*

From the discussion in the analysis I draw the conclusion that if creating a segment of franchise systems the banks and trying to attract them with various marketing packages they have to be aware that relationships seem to be very important for customers and something that might make them not changing bank even if being offered good solutions. Therefore I believe that if wanting to be able to get good penetration with a package of bank products and services it must be important that the banks are offering these packages to the franchise systems already early in the franchisees’ start-up phase, either when new franchisees are added to the existing franchise system or when the whole franchise system is completely new otherwise it will be more difficult to attract already existing franchisees with such a package offering.

### 7.4 SUGGESTIONS FOR FURTHER RESEARCH

During the work with this thesis I have found some ideas that could be interesting for further research. One suggestion is to continue this study by investigating the problem for this study with more qualitative interview with franchisees and their view on this area trying to find more nuances. It could also be interesting to perform quantitative questionnaires with franchisees to investigate the findings and conclusions discovered in this thesis. That could bring the research further and see if the opinions found are something that is general opinions of franchisees.

Another suggestion for further research could be to study how the work with establishing whether franchise systems could be a new segment for them progress for Swedbank. How they decide to continue with this issue and what the outcome becomes. Did it give possibilities for new business opportunities? Did the bank make profits from their new segments? Were franchise systems a true segment?

The last suggestion that I can give for further research is to compare and study how different banks work with segmenting the market. This study has only been a case study of Swedbank and their work, but other banks might work differently and have come different far in the development.
8 CREDIBILITY CRITERIA

This thesis will be finished off by a discussion and reflection over the credibility of the study made. When writing a piece of work this is something that always is important; to critically reflect over whether the information gathered for the study is sufficient and reliable and whether the conclusions arrived at are correct. Depending on what approach that is being applied different credibility criteria are to be used to assess the fulfilment of the goals for the study. I have used the four criteria validity, intersubjectivity, practical applicability, and systematic data collection and interpretation with the aim to create an idea of what quality this study holds.

8.1 VALIDITY

The precondition for good validity is that such an adequate amount of material and information is collected that the developed concepts and theory cover as many qualities as possible of the studied phenomenon. This theoretical saturation can only be reached when the amount of material and information collected covers so many different groups and areas that further collection of material and information does not add any new information or develop the concepts and theory. I did nine different in-depth interviews with eight different franchisees and one bank. However I do not believe that I reached theoretical saturation but think that further interviews with other respondents within a different selection frame could add more aspects and nuances on the studied phenomena. This does not mean that I do not think this study is valid. Johansson-Lindfors states that theoretical saturation is really hard to reach and that it is up to the researcher to feel if the collected material and information covers enough qualities. I believe that this study is based on and covers enough qualities to feel that it has the important validity. 192

8.2 INTERSUBJECTIVITY

Intersubjectivity is about whether interpretations made can be accepted by the individuals representing the reality studied as well as other researchers. Intersubjectivity between the researcher and the studied reality can be reached by letting the respondents read and comment on for example the interpretations made in collections of material and information. Due to the limited time for this thesis only the bank was offered to read and comment on the compilation and interpretation of the empirical findings. The respondent from the bank had no comments on the compilation which could be an indicator of intersubjectivity between the studied reality and the researcher here. Better intersubjectivity could probably have been reached if all the respondents had been given the time and opportunity to read and comment on the interpretations made. 193

When it comes to the intersubjectivity between the researcher and other researchers it should ideally be examined both during as well as after the study. During the study intersubjectivity can for example be reached by letting other researchers or peers read and comment the work. In the case of this study I have tried to reach intersubjectivity by letting my supervisor as well as a couple of other students read my thesis. I have also in the method chapters tried to explain my theoretical standpoints, previous experiences and preconceptions together with explanations and motivations to how the study has been conducted. This has been done so that readers and other researcher get the opportunity to evaluate the interpretations and conclusions made all to increase the intersubjectivity between me as the researcher and other researchers. 194

8.3 PRACTICAL APPLICABILITY

192 Johansson Lindfors, M-B, (1993), Att utveckla kunskap, p165-166
193 Ibid, p166-167
194 Ibid, p167-168
The practical applicability of the results from the study is determined by the study’s applicability in real life. The practical applicability is therefore something that can not be evaluated until someone uses the findings in practice. I have to wait and see if the conclusions and findings made are something that can be used by Swedbank, other banks, and other researchers and people interested. My belief though is that the findings are of practical applicability and that they can be of use and help for Swedbank and others in their work with segmentation. Supporting factors to that my findings will be practical applicable is that I can see some patterns between the franchisees’ answers and areas that the respondent from the bank both point out as in need of improvement. The respondent from the bank for example mentions that the bank has to become better at spreading good ideas and knowledge over the whole bank something that the respondents also point out when saying that the knowledge in some issues varies among the employees.

**8.4 DATA COLLECTION AND INTERPRETATION**

The last credibility criterion has to do with how reliable the methods of data collection and interpretations have been. When talking about qualitative studies reliability does not have to do with that repeated measurements should give the same results, since when using qualitative methods not getting the same result can even be desirable since then is new phenomena discovered. Problems with reliability of the data collection methods and interpretations can appear if not enough qualities are found. It is therefore important for qualitative studies how for example the interviews are conducted and that the researcher is trying to as flexible as possible to find as many different qualities as possible. When doing the interviews for this study this was something I tried to keep in mind being as flexible as possible. I used an interview manual with questions and areas that I wanted to cover but also gave the respondents the opportunity to freely talk within those areas in order to find as many qualities of the studied area as possible.195

REFERENCES

BOOKS:


**ARTICLES:**


**INTERNET SOURCES:**


Svenska Franchise Föreningen. http://www.franchiseforeningen.se/
APPENDIX A

Interview Manual

Inledande frågor

1. Kan du berätta kort om dig själv?
   Vilken befattning har du och vilka är dina arbetsuppgifter?

Franchisekonceptet

2. Kan du berätta om franchisekonceptet?
   Vad innebär det och hur kommer det att vara utformat?
   Hur kommer banken att arbeta med franchisesystem?
   Vad skiljer franchisekonceptet från de erbjudanden FT kan få idag?
   Vad blir franchisetagare idag erbjudna för tjänster och produkter?

3. Hur kom man på idén med ett franchisekoncept?

4. Vilka kommer franchisekonceptet att rikta sig till?
   Är olika typer av franchisesystem principiellt olika intressanta för banken?

5. Varför behövs det ett franchisekoncept?
   Vad är orsaken till att det behövs ett sådant koncept?

6. Vad skulle franchisetagare tjäna på ett eventuellt franchisekoncept? Vad skulle banken tjäna på ett eventuellt franchisekoncept?

7. Varför är banken intresserad av att få franchisetagare som deras kunder?

8. På vilket sätt kommer banken att skilja sig från andra banker med det nya konceptet?
   Om konkurrenterna också väljer att fokusera på franchisesystem, hur kommer ni att reagera?

Franchisetagare

9. Vad gör franchisesystem annorlunda i jämförelse med andra affärssystem?
   Franchisetagare är ofta mindre företag. Vad skiljer dem från andra småföretag/are?
   Hur skiljer sig franchisetagaren ställning jämfört med att vara helt egen företagare?

10. Har franchisetagare speciella och unika behov när det gäller banker och deras produkter och tjänster?

11. Varför tror ni att franchisetagare skulle vilja ha ett paketerbjudande när det gäller banktjänster?
    Tror du franchisetagare i kedjan samarbetar på något sätt idag vid kontakter med företag, organisationer, etc... ?
    Tror du franchisetagarna skulle kunna vinna något till det att samarbeta i kedjan?

12. Vet du vad franchisetagare får för information om banker och deras produkter och tjänster när de bestämmer sig för att bli franchisetagare idag?
    Varifrån kommer denna information (franchisegivaren, Almi, banken, etc.)?

13. Vad tror du avgör vilken bank franchisetagare väljer när de ska starta upp sitt företag?
14. Kan franchisetagaren idag välja vilken bank de vill ha som sin bank eller har franchisegivaren någon kontroll när det gäller val av bank?

15. Vad tror du att franchisetagare har för erfarenheter och intresse av banker och deras produkter och tjänster?
   Tror du att det är någon skillnad emot andra företagares erfarenheter och intresse av banker och deras produkter och tjänster?

Relationen mellan bank och franchisegivare

16. Upplever du att banken idag är medveten om franchisetagares behov och tror du banken uppfyller dessa behov idag?
   Hur mycket anser du att banken kan om franchising?

17. Hur många banker tror du franchisetagare vanligtvis har kontakt med idag?
   År det någon skillnad mot andra företag?
   Vad tror du avgör vilken bank franchisetagare har valt att ha idag?

18. Vilka relationer eftersträvar banken till sina kunder (kortsiktiga/långsiktiga)?
   Hur definierar ni en relation?
   Hur skiller sig era relationer åt mellan olika sorters kunder?
   Hur mäter/bedömer ni hur många kunder ni lyckas behålla?

Hitta nya segment

19. Skulle franchisesystem kunna vara ett nytt segment för banken?
   Vad skulle de annars vara för banken?

20. Vad karaktäriserar ett nytt segment?
   Hur skulle du definiera ett segment?

21. Vad tror du att du som franchisetagare skulle tjäna på att vara ett eget segment? Vad tror du banken skulle tjäna på att ha franchisesystem som ett eget segment?

22. Hur vet man att det är ett segment?

23. Hur segmenterar banken marknaden idag?
   Vad använder banker för variabler och metoder för att segmentera marknaden?
   Varför segmenterar banken marknaden?
   Hur hittar man nya segment?
   Är segmentering en pågående process för banken eller är det något som endast görs någon gång dä och då?
   Varför tror du att banken segmenterar marknaden? Varför gör man det inte?
   Hur tror du att banken/er kommer att segmentera marknaden i framtiden?
   Hur väljer banken vilka segment man vill satsa på?
   Vilka segment har banken idag?
   Vad är bankens strategi med segmentering? Hur implementeras det i verkligheten?
   Varför har banken valt dessa segment?
   Vad finner det för fördelar med segmentering? Vad finner det för nackdelar med segmentering?

När man har segmenterat marknaden och konkurrenster segmenterat och valt samma segment att fokusera på, vad händer då?
   Vad skiljer banken och konkurrenster åt då?

Kommer ni att ha någon särskild strategi för att nå ut till detta segment?
Hur kommer banken att kontakta franchisetagare?
Hur sköts kontakten med franchisetagare idag?
Hur kommer banken att gå tillväga för att locka till sig nya respektive gamla franchisesystem?

Slutligen, vad kommer att avgöra om banken inför en satsning på franchisesystem eller inte? Orsaker?
APPENDIX B

Interview Manual

Inledande frågor

1. Kan du berätta kort om dig själv?
   Hur länge har du haft denna position?

2. När etablerades det här företaget i Umeå?
   Var det du som var den första franchisetagaren?
   Har du varit franchiseföretagare tidigare med ett annat företag än detta?

Franchisetagare

3. Om du inte hade blivit franchiseföretagare tror du att du skulle ha kunnat starta ett eget företag istället?
   Varför valde du att bli just franchisetagare?

4. Vad tror du är största skillnaderna mellan att vara en egen företagare och en franchiseföretagare?
   Franchisetagare är ofta mindre företag. Vad skiljer dem från andra småföretag/are?
   Hur skiljer sig franchiseföretagaren ställning jämfört med att vara helt egen företagare?

5. Vad får man som blivande franchiseföretagare för information om banker och deras produkter och tjänster?
   När du bestämde dig för att bli franchiseföretagare hur gick du tillväga för att kontakta banker?
   Kontakta du en bank eller flera?
   Följde din franchisegivare med dig till banken?
   Vad avgjorde vilken bank du valde?
   Har franchisegivaren något inflytande vid val av bank?

6. Kan franchiseföretagaren idag välja vilken bank de vill ha som sin bank eller har franchisegivaren någon kontroll när det gäller val av bank?

7. Vilka banktjänster och produkter använder du idag?
   Vilken erfarenhet och intresse har du av banktjänster och produkter?

8. Upplever du att banken är medveten om dina behov av banktjänster som franchiseföretagare?
   Hur mycket anser du att banken kan om franchising?

9. Anser du att den banken uppfyller dina behov som franchiseföretagare?
   Vad tycker du att de ska förbättra?
   Är det några speciella eller nya produkter och tjänster som du efterfrågar?

10. Har franchiseföretagare speciella och unika behov när det gäller banker och deras produkter och tjänster?
    Skiljer sig franchiseföretagares behov emot andra småföretagares behov?
    Efterfrågar du någonting hos banken som inte finns?

11. Vad tycker du om den bank som du har idag?

12. Hur många banker tror du franchiseföretagare vanligtvis har kontakt med idag?
    Är det någon skillnad mot andra företag?
13. Samarbetar franchisetagarna i din kedja på något sätt idag vid kontakter med företag, leverantörer, etc., ?

14. När du blev franchiseföretagare skulle du ha önskat att det fanns ett paketerbjudande med produkter och tjänster, för alla franchisetagare, som din franchisegivare hade förhandlat fram med en bank?
   Vad skulle du ha velat att ett sådant paketerbjudande skulle ha innehållit?
   Vad anser du att finns det för fördelar och nackdelar med ett sådant erbjudande?
   Tror du att franchisetagare skulle vinna någonting på att samarbeta i franchisekedjan vid förhandlingar med banker?

15. Skulle du vilja att franchisegivaren förhandlar fram ett erbjudande för alla företag i kedjan nu?

16. Skulle du velat ha fått något annat slags paketerbjudande från din bank för dig som franchisetagare?

17. Anser du att det finns någon poäng med att alla företag i samma franchisesystem har samma bank?

Hitta nya segment

18. Banker delar upp marknaden i olika så kallade segment med kunder som ska ha liknande behov när det gäller banktjänster och produkter. Anser du att franchisesystem skulle kunna vara ett nytt sådant system?

19. Vad skiljer franchisetagare från andra sorts företag? Vad finns det för likheter med andra franchisetagare?

20. Anser du att franchisetagare har behov av banktjänster och produkter som skiljer sig från andra sorts företag?

21. Vad tror du franchisetagare skulle tjäna på att vara ett eget segment? Vad tror du banken skulle tjäna på att ha franchisesystem som ett eget segment?

22. Tror du att bankers kunskap om franchising och franchisetagares behov skulle förändras om de inför franchisesystem som ett eget segment?

Relationen mellan bank och franchisegivare

23. Hur skulle du beskriva din relation med din bank?
   Anser du att du har en relation med din bank eller skulle du inte kalla det en relation?
   Vad är en relation för dig?
   Är du nöjd med den relationen eller kontakten som du har med din bank?
   Tror du relationen skulle förbättras eller försvåras med ett ”franchisekoncept”?

24. Vilken relation tror du din bank eftersträvar till sina kunder (långsiktiga eller kortsiktiga)?
   Tror du att de försöker upprätta olika relationer till olika sorts kunder?
   Vad tror du banken vill ha för relation med sina franchisekunder? Tror du den skiljer sig från relationen till andra sorts företag?

25. Hur blir du kontaktad av din bank?

26. Blir du ofta kontaktad av andra banker?

27. Hur gör din bank för att behålla dig som kund?
28. Har du någonsin känt dig missnöjd med din bank?
   *Vad gjorde du då?*

29. Överlag är du nöjd eller missnöjd med din bank?

30. Vad skulle kunna göra att du byter bank?
   *Vad gör att du inte byter bank?*

31. Slutligen, vad kan din bank förändra för att bli attraktivare för dig som franchisetagare?

Jag får tacka för din medverkan!
APPENDIX C

Compilation of Empirical Findings