

FRANCHISING IN THE HEALTH CARE SECTOR: THE CASE OF CFW IN KENYA



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(February 2016)

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2 EXECUTIVE SUMMARY

In the context of the growth of franchising in the social sector, and more specifically in the health care sector in Africa, it is important to understand how franchising can contribute to the development of the sector, from the quality of treatment and services offered to the performance of the companies.

This **CFW network case study's objective** is to understand and assess:

- CFW activities and operations
- the CFW franchise business model
- CFW challenges and perspectives

The **research questions addressed in this study** are the following:

- Who are CFW customers and how do they perceive CFW?
- How does a CFW clinic work?
- How does CFW use the core elements of franchising in managing its network?
- How important are the relationships and satisfaction within the CFW network?
- How does CFW develop its network of clinics?
- What are the challenges and future prospects for CFW?
- What recommendations are there for CFW?

The **methodology of this exploratory study** is qualitative and based on:

- a series of in-depth interviews by Skype and/or phone with 19 people as follows: seven people from CFW headquarters, five CFW franchisees, one employee of a CFW franchised clinic, five customers of several CFW clinics and one prescriber, a professor at a school who is also a CFW customer
- access to internal documents such as the franchise agreement, its amendments and exhibits, the Franchise Operations Manual and the CFW outlets compliance code, as well as the Compliance Evaluation Scorecard
- secondary data from CFW websites and papers and other websites dealing with the case of CFW

This **multi-level approach** involving people from headquarters, franchisees, an employee of a clinic, customers and a prescriber has allowed me to gain a global overview of CFW activities and operations, the CFW franchise business model and CFW challenges and future prospects.

The following **findings and recommendations** have emerged from this study:

Valorizing CFW organizational know-how: In addition to the know-how that has been implemented and codified by CFW before being transferred to the

franchisees, CFW has important organizational know-how at the headquarters' level. Specifically, I refer to the codification of the business know-how, franchisee training, the audit of the clinics and the supply of medicines. Another example of relevant organizational know-how of CFW is the CFW Outlets Compliance Code that is "a code for the Field Officers on how to handle non-compliant CFW franchisees. It defines contraventions of specific CFW franchise standards so as to clarify the relevant steps an officer should take." It would be appropriate to proceed to a detailed audit of all this organizational know-how and valorize it:

- internally from the perspective of continuous improvement of the practices
- externally with the franchisees to remind them about the expertise they indirectly benefit from
- externally with franchisee candidates to encourage them to join the network

Reinforcing The CFW brand image: The CFW brand image could be reinforced through implementing different actions such as:

- the continuation and reinforcement of outreach activities, e.g., in schools, local communities and churches to favor the word of mouth effect and generate more traffic to the CFW clinics
- an increase of communication and advertising of the CFW brand in the communities. The interviewed customers seemed to be committed to the franchisees themselves, their welcome, their competences, their counseling, before being committed to the CFW brand. Customer B talked about the franchisee as her "mother," and the clinic as her "home." Customer C mentioned that the clinic is "like her family." The commitment to the CFW brand could be progressively reinforced to underline the quality of the health care and medicines. Flyers for advertising local clinics could include some information on the CFW network
- the insertion of the CFW logo and graphic charts on all internal documents, e.g., the CFW Outlets Compliance Guide

Maintaining close relationships within the network: Relationships within the CFW network should be maintained and perhaps intensified because interviewed franchisees and the employee seem to appreciate sharing advice, ideas, best practices with the headquarters' team, for instance, during field officer visits or among themselves during meetings. Franchisee C compared her clinic and the CFW network as "a family." Employee A who "feel[s] his future in CFW" mentioned the "need to improve relationships [...] and the need to know each other." Strengthening relationships is a way to underline the CFW assistance provided to the franchisees, reinforce the CFW culture around its values and make the adhesion of the franchisees to the new CFW development plan easier.

Considering the evolution of the CFW concept: In terms of evolution of the CFW concept, it appeared during the interviews that there was an interest in expanding the services offered by the CFW clinics, as well as opening hours of the clinics. First, according to CFW customers, services and facilities provided by the CFW clinics could be expanded. Interviewees mentioned specifically vans, deliveries, laboratories as well as adding wards for in-patient care. On the one hand, this would be a way to better meet customers' demands and, on the other hand, a way for the franchisees to develop their activities and then make more money. Second, two customers who would like 24H/24 service also suggested expanding the opening hours of the clinics. The associated issue would be the cost associated with expanded opening hours.

Better assessing customer needs and expectations: In addition to this exploratory qualitative study, a questionnaire-based survey given to customers would be very useful in order to assess customers' needs, expectations and also satisfaction.

3 INTRODUCTION

3.1 FRANCHISING

Franchising is a contractual arrangement between two independent firms, the franchisor and the franchisee. The latter pays the franchisor for the right to sell the franchisor's product and/or services and to use the brand name. This right is given for a specific store and a specific period of time. The franchisee respects the business format as a whole, including the know-how, procedures and standards as described in the operations manual, the brand and marketing elements, the quality of offered products and/or services. Business-format franchising - referred to in this report as franchising - then relies on three pillars: know-how, brand and assistance.

Franchising is growing in all countries, whether developed or developing ones and no matter the industry. These include retailing, services and the social sector comprising of issues such as health care, hygiene, water purification and education.

Social franchising or, put differently, franchising in the social sector can be understood as the application of franchising to the social sector. In addition to the objective of making a profit, there is another objective that is very important: that is of achieving social goals.

3.2 CFW NETWORK

CFW is part of the HealthStore Foundation. The CFW mission is "to improve access to essential drugs, basic healthcare, and prevention services for children and families in the developing world using business models that maintain standards, are geometrically scalable, and achieve economies of scale" (<http://www.cfwshops.org/index.html>). CFW clinics "target the most common killer diseases including malaria, respiratory infections, and dysentery among others. They also provide health education and prevention services" (<http://www.cfwshops.org/overview.html>). As displayed on the website, the essential components of CFW include:

- "A system of franchise rules and strict treatment standards that govern how the outlets are run and what drugs can be sold.
- A thorough training program that ensures every operator knows how to diagnose the target conditions and accurately prescribe the correct medicines. Base training is backed up with continuing education on clinical skills and management practices.
- A centralized procurement operation that drives down drug costs and ensures drug quality by qualifying all the medicines, buying only from reputable suppliers, and maintaining quality standards throughout the supply chain.

- A record keeping regime that compiles patient records and vital health statistics, as well as financial performance statistics for each CFW outlet.
- A consistent monitoring program that makes sure every outlet is operating to CFW brand standards." (<http://www.cfwwshops.org/overview.html>)
- In terms of results to date: "[s]ince 2000, the CFW network has more than quadrupled to 65 locations comprised of 17 drug outlets and 48 basic medical clinics. This network treats an average of 40,000 customers and patients per month. Since inception, The HealthStore Foundation® has served over 5,000,000 patients and customers through its network in Kenya. In 2014, The HealthStore Foundation's CFW network served half a million patients, customers, and school children."

Additional information on the CFW network was obtained from the following interviews:

"At the moment, we have 54 clinics. Out of those 54, 50 are franchises and four are company-owned. And we also have another nine in addition to the 54. These nine are not clinics, they are drug shops. The difference between them and the clinics are that drug shops are run by community health workers who are limited to giving over the counter drugs and basically advising. They cannot treat, unlike the nurses." (Franchisor and franchisor team B)

"The way we currently operate the network is as follows: we have 16 Kenyan employees who live in Kenya, some of them in Nairobi where our head office is located. Obviously, it's the capital city with pharmaceutical suppliers and other suppliers and vendors and government officials and so on that are useful to [have] nearby. But since many of our clinics are in western Kenya and central Kenya, we also have a regional presence in some of those areas. The 16 employees of the franchisor in Kenya currently work for a non-profit Kenyan NGO that is the Healthstore Foundation, our US entity which is a non-profit 501(c)(3) organization. We founded the Kenyan non-profit and we effectively control the strategy of it. It's our affiliate." (Franchisor and franchisor team F)

"The person who owns the clinic is operating it under the CFW brand and system according to a franchise agreement, which is a standard contract by which we give the franchisee the rights to operate clinics according to our system and to receive certain benefits such as training and supply chain and other things. And the franchisee agrees to comply with certain brand standards, which include clinical and drug handling standards, but also include standards on hygiene, signage, fixtures, furnishings and equipment, marketing, record keeping and so on. And so we're licensing this whole business format to them, not just the right to put the sign on the wall, not just a subset of products, but the whole way of operating the clinic." (Franchisor and franchisor team F)

3.3 RESEARCH OBJECTIVES

In the context of the growth of franchising in the social sector, and more specifically in the health care sector in Africa, it is important to understand how franchising can contribute to the development of the sector, from the quality of treatment and services offered to the performance of the companies. This CFW network case study's objective is to understand and assess:

- CFW activities and operations
- the CFW franchise business model
- CFW challenges and perspectives

The research questions addressed in this study are the following:

- Who are CFW customers and how do they perceive CFW?
 - What prompted their initial visits to CFW clinics?
 - Why do CFW customers continue to visit CFW clinics?
 - What do CFW customers think of the drugs provided by CFW?
 - How do CFW customers perceive CFW resale prices?
 - Are CFW customers satisfied with the CFW clinics?
- How does a CFW clinic work?
 - What are the opening hours of a CFW clinic?
 - What is the mission of a CFW franchisee?
 - How are customers informed about CFW clinics?
 - What are the outreach activities conducted by CFW franchisees?
 - How is the competition perceived?
 - What are the criteria for franchisee performance?
- How does CFW use the core elements of franchising in managing its network?
 - In terms of know-how?
 - In terms of brand name?
 - In terms of assistance?

- How important are the relationships and satisfaction within the CFW network?
 - In terms of franchisor/franchisee relationships?
 - In terms of relationships among franchisees?
 - In terms of global satisfaction within the CFW network?
- How does CFW develop its network of clinics?
 - In terms of communication to attract new franchisees?
 - In terms of selection of the right franchisees?
 - In terms of location of the clinics?
 - In terms of the process to open a CFW clinic?
- What are the challenges and future prospects for CFW?
 - For CFW franchisees?
 - For CFW headquarters?
- What recommendations are there for CFW?

3.4 RESEARCH METHODOLOGY

3.4.1 MULTI-LEVEL APPROACH

In order to carry out this exploratory study, I adopted a qualitative approach. I conducted a series of in-depth interviews by Skype and/or phone with 19 people as follows: seven people from CFW headquarters, five CFW franchisees, one employee of a CFW franchised clinic, five customers of several CFW clinics and one prescriber, a professor at a school who is also a CFW customer.

This multi-level approach involving people from headquarters, franchisees, an employee of a clinic, customers and a prescriber has allowed me to gain a global overview of CFW activities and operations, the CFW franchise business model and CFW challenges and future prospects.

In addition, for this study I was given access to internal documents, such as the franchise agreement, its amendments and exhibits, the Franchise Operations Manual and the CFW outlets compliance code, as well as the Compliance Evaluation Scorecard. I also gathered secondary data from CFW websites and papers and other

websites dealing with the case of CFW. This information was useful for gaining a clear understanding of the context of this empirical research.

3.4.2 INTERVIEWS WITH DIVERSE PEOPLE

It is important to note that interviews were held with diverse interviewees, which resulted in gaining varied perspectives and points of view on the different topics addressed.

3.4.2.1 DIVERSE CUSTOMERS INTERVIEWED

The customers interviewed all had different profiles, as illustrated below:

“I’m a family man. I’m a man [with] a wife and I have eight children. And I also take care of the whole family.” (Customer A)

“I have my family of five and we all go there.” (Customer D)

“My school is a high school and it is running from form one to form four. It is basically a grammar school. [...] My school is still [new]. We have about a hundred students. [...] Most of them are between 13 and 17. Yeah, 13 and 17 years of age. [...] Yes, you know our school is two in one with our day scholars and we have also boarders. Now, for students who are boarders, we take care of them and we act on behalf of their parents. For the day scholars, they get back to their homes, to their families, to their parents. [The boarders], they stay in the school. They’re boarders. They stay in the school. But day scholars go back to their homes. [...]. They come in the morning, they return in the evening [...]. But the boarders are here for the whole term. When the term opens until the term ends, they are here with us. So when we take them for treatment, we ensure that they are properly treated. They get cured [...].” (Prescriber A)

The geographic distance between the customers’ homes and the CFW clinics vary, according to the interviewees:

“I live some two kilometers away from the clinic.” (Customer A)

“Where I live and where the clinic is, two kilometers.” (Customer C)

“It’s not quite near. I have to take a taxi to get there.” (Customer D)

“[First name of the franchisee]’s place is the closest...is the nearest clinic we have around.” (Prescriber A)

“These people [i.e., customers] come from the villages. They come direct to us from the villages.” (Franchisee E)

3.4.2.2 DIVERSE FRANCHISEES INTERVIEWED

The interviewed franchisees have different backgrounds:

“I started in 2008... or 2009.” (Franchisee A)

“I’m a franchisee since 2006.” (Franchisee E)

“I realize on my own, I can manage [being a franchisee] without much support [and not remain an employee]. We only signed to be a franchisee within the same facility. We did not move.” (Franchisee C)

The franchisees with whom I talked joined the CFW network for different reasons:

“I joined the CFW clinic because I did not want to work alone. I wanted somebody who could just help me. [...] I didn’t want to work alone. [...] So I learned [about] it from a friend. Then I applied. I went to the office where they give me a form [...]. I worked as a nurse and a midwife and [became] a franchisee in 2007.” (Franchisee D)

“I worked at the Ministry of Health, but in the medical corp. Then I joined a local company dealing with medical care. Then I started to go in business. [...]. I was very skeptical when I confronted, when I was exposed to franchise health systems. Then I developed an interest in learning how to do it, so I started going to their meetings. Then, at that point the director [...] approached me, because I think they saw a potential in me. I don’t know. But they approached me [...]. So that was in the year 2006. [...] I found myself in the system [...] One of the things I like about the system is the controls. And the element of assisting the community. And also the element of doing the right thing at the right time. And also in terms of experience, the quotas [...]. You tend to learn a lot about other people, the way they do things [...]. So that’s how I got in the system. [...] Yeah, about ten years ago now.” (Franchisor and franchisor team A)

“Yeah, I am working there [...] as a clinical staff. I’ve been there for the last three months. [Before joining the CFW clinic], I was working in a government hospital. [...] Actually, I decided to work with an organization which is fully registered by the Kenya medical [department]. And too my wish was to serve patients and actually to assist patients’ needs.” (Employee A)

The interviewed franchisees perform different kinds of activities within their clinics, depending on size of operations measured by type and number of employees:

"Sometimes he or she [i.e., the franchisee] will hire a community health worker or receptionist to help with non-clinical tasks like registering the patients, promoting the clinic in nearby communities and so on." (Franchisor and franchisor team F)

"[Regarding the number of employees in CFW clinics], it's all dependent on how busy the facility is and the aggressiveness of the franchisee." (Franchisor and franchisor team C)

"I work alone." (Franchisee B)

"I have somebody to clean. Someone who helps me with cleaning." (Franchisee D)

"I have one assistant and one [other]." (Franchisee A)

"We were only two staff [at the beginning]. I employed a lab technician with an assistant, an attendant [...], so in total I have five staff. With myself, we are six. The employees, we employ them with some qualifications [...]. And then for my staff, we do on-job training." (Franchisee C)

"For my staff, a minimum of qualifications is required. [...] I may take them for update training so that they are not remaining behind here. [...] In the clinic here, we have regular meetings where we discuss the running of the clinic. If anything we do is not right, we correct it. It is me who organize these meetings with the six employees: one clinical doctor, two nurses, one laboratory technologist and two attendants." (Franchisee E)

The number of patients served varies according to the clinic and to the periods of the year:

"[The number of customers served] is also dependent on location, but on average you see some facilities doing as high as twenty in a day." (Franchisor and franchisor team C)

"I think we have some months that are very, very busy. [...] March to July the flow is good because of the rain and the cold weather. And then, October, November, December it goes slow because of the dry season [...]. So the numbers are not maintained. Not less than ten, up to fifty patients in a day. [...] 400-360 patients per month." (Franchisee C)

"A total of around 750 customers a month; children around 300." (Franchisee A)

3.4.2.3 DIVERSE FRANCHISOR'S TEAM MEMBERS INTERVIEWED

The people interviewed at CFW headquarters occupy different positions:

"I am currently the operations manager." (Franchisor and franchisor team C)

"This is [first name], manager... I train franchisees." (Franchisor and franchisor team B)

"I am a field officer [...] attached to the CFW network in [...]. I have several roles and one of the roles is [to] make sure I am the link between [the] CFW network and the franchisees. And then, the other role I play as a field officer, I identify new sites, potential sites to open new outlets. I also [contribute to the] recruitment of the new franchisees. [...] I also perform regular visits to the outlets. [...] I ensure that the franchisees adhere to the rules and the regulations as part of the guidelines of the network; that they are following the code of operation. Then I also enforce the proper use of medicines and ethical practices in the outlets, in the clinics and also participate in the training for the franchisees. [...] I have different roles. Many distinct ones." (Franchisor and franchisor team A)

"I am serving as the CEO of the Healthstore Foundation for the past few years. I'm based in the United States. Our operation, our CFW operation, is based in Kenya, as you know, and we've also had, over the ten years I've been working with Healthstore, we've had some interactions and activities in other markets [...] So I, my job, I oversee this whole enterprise, especially focused on the real operation on the ground, the technical aspects of it and how we can learn from what we've done in the past, advise more groups in the future, various innovations and test within the network to actively evolve what CFW does and what it is. [...] [I joined the company] in 2005, 2006." (Franchisor and franchisor team F)

3.4.3 CONDUCTION AND ANALYSIS OF THE INTERVIEWS

The in-depth interviews were conducted as free and open discussions that addressed several topics previously established and listed in the interview guide

This interview guide, beyond the usual opening and conclusive remarks, covered the following topics: CFW know-how, CFW assistance, CFW brand name and CFW network uniformity.

All of these topics enabled me to cover - in my discussions - all elements useful for gaining a better understanding and assessment of CFW activities and operations, the CFW franchise business model and CFW challenges and future prospects.

These interviews were conducted by Skype and/or phone. On occasion, there were problems with communication due to bad network connections. These interviews were held over a period from very late August to mid October 2015. Detailed notes were taken during the interviews. Some of these interviews were recorded in order to review the discussions at a later date and better facilitate an understanding of the issues discussed. The recorded interviews were transcribed in full.

I then analyzed the content of the interviews taking note of specific topics and sub-topics that were important to the interviewees. It is important to mention that some of the topics and sub-topics discussed did not necessarily correspond to the topics initially integrated in the interview guide. For example, there were no questions in the guide regarding relationships among franchisees, whereas this topic emerged during the interviews. The same applies for the topic of outreach activities.

3.5 OUTLINE OF THE RESEARCH REPORT

This research report is organized as follows. In the next section, I focus on CFW clinic customers. In section 4, I address the activities carried out at the CFW clinic level. In section 5, I examine the application of core elements of franchising in the CFW network. In section 6, I explore relationships and satisfaction within the CFW network. In section 7, I consider CFW network development. In section 8, I address CFW challenges and perspectives. Section 9 concludes with recommendations.

4 CFW CUSTOMERS

In this section, I focus on CFW customers in order to gain a better understanding of what prompted their initial visits to the CFW clinics, the reasons for their follow-up visits, their perceptions regarding medicines and resale prices and to assess their satisfaction with CFW.

4.1 REASONS FOR CUSTOMERS' FIRST-TIME VISITS TO A CFW CLINIC

During the customer interviews, I asked them why they had initially chosen to go to a CFW clinic in order to find out how they had heard about the CFW brand. Most of them mentioned that CFW was recommended to them by other customers. Several customers said that during their initial visit they were impressed by the professionalism and the attention paid to them by the CFW franchisees. Moreover, one customer referenced CFW's specialization in family wellness:

"The first time, somebody [told me] 'you have been going to the other hospital, [...] I hope you go to CFW. Why don't you try there? You are going all the time to the hospital.' Then, I try to go to there for the first time. Then I find that it was really a very good system. She [i.e., the franchisee] told me what was the problem when I was explaining to her. [...] I had one of my friends who also was there." (Customer E)

"I was suffering from malaria and the reason I went there was that I had good [feedback] from other people [...]. She [i.e., the franchisee] sat me down and actually talked to me, how to go about my protection, my malaria [...]. And from that day, I and my entire family go there for treatment." (Customer D)

"I was introduced there by [name of someone who] talked well of [first name of the franchisee]. [This person] said [that with first name of the franchisee], [...] when you go there, you have a program. She [i.e., the franchisee] takes care to treat you. She encourages you. She's not just rushing and treating you [...]. [This person] also recommended me to [first name of the franchisee]. So with those recommendations, I decided to try her services. So the first time I visit a clinic, number one, she really wanted to know where I'm going, where I come from.... She was also asking why I have decided to go there. [...] I told her 'I want to try and see how you carry out your services'. And she explained to me in detail about CFW. [...] And [she said] they have one of the best drugs. [...] 'We've got drugs, and we've got drugs that are not generic'. By that time, I had been attacked by typhoid and I had been treated [...] and not responding, so I went to try her clinic. She gave me some tablets [...] to cool down the pain. She told me I'd be alright and to come back for treatment. So I came back for treatment after twelve days. I was not actually done, but she said I

respond and come back after a month. After a month, I went back. She wanted to check my pressure. She did a lot of examinations on my body.” (Customer A)

“I chose this clinic because [CFW specializes in] family wellness.” (Customer B)

4.2 REASONS FOR CUSTOMER VISITS TO A CFW CLINIC

I asked the customers why they continued visiting CFW clinics. Most of them responded that they were going to the CFW clinics for treatment, when they had a problem or when they were unwell or sick. One customer also mentioned the case of needing to talk, consult or get advice:

“My family and myself, we go there for treatments. Basically for malaria. [...] Myself, I am coming when I have a problem, when I’m unwell. I go there quite often.” (Customer A)

“They treated me. They gave me some anti-malaria tablets [...] and they tested me [...].” (Customer D)

“[I go to the CFW clinic] whenever I’m sick. Whenever I need.” (Customer C)

“I go anytime. [...] For consulting or when I’m sick. Anything that I feel I should talk to her [i.e., the franchisee]. I talk to her and consult her.” (Customer B)

4.3 PERCEPTIONS REGARDING AVAILABILITY AND QUALITY OF MEDICINES

The topic of availability and quality of medicines emerged during my discussions with the interviewees who overall were satisfied with these aspects of CFW. For instance, one interviewee - a prescriber - stressed the availability of medicines in the CFW clinic where he sends his students:

“The drugs are quite ok. [...] She [i.e., the franchisee] acquires the necessary, recommended drugs for the various diseases. [...] Yes, I have said earlier, you know, they have drugs. Drugs which take care of all the kinds of diseases that attack our children [...]. Their drugs are accurate. The kind of treatment we need is curative treatment. [...] We send our students there. They have been very helpful. They give the accurate treatment. They give treatment that helps immediately. [...] They handle most of the cases that they take up.” (Prescriber A)

Several other interviewees - customers, an employee of a CFW clinic and also CFW team’s members - pointed to the quality of medicines sold at CFW clinics:

“The quality [of the drugs] is so good. [...] I appreciate. [...] I can’t say anything about it.” (Customer B)

“They have a good quality drugs. Because where we live, [...] they don’t have even facilities [...]. But CFW have good quality drugs. [...] This is so impressive.” (Customer C)

“I got very good medicines. [...] Because even the medicines she [i.e., the franchisee] gives you, it’s different from other medicines from other clinics or other hospitals. [...] I think the medicine from there..., from CFW..., from the company of CFW... is of good quality.” (Customer E)

“Another difference is that in some of our government hospitals, most of the drugs are out of stock. But in CFW we have all the drugs. [...] Actually, CFW is providing quality drugs at low costs. And most of our patients, actually, they come and have a desire to buy our drugs because of the quality compared to other drugs, which we can get from the government hospitals.” (Employee A)

“So one reason why they usually come to a clinic is that because of the brand, the CFW brand. [...] Again, they say the medicines we offer [are] good medicines. [...] So, in terms of medicines, [...] that’s what attracts people to our outlet so much.” (Franchisor and franchisor team A)

“Franchisees are only allowed to sell products on that authorized list and they’re only allowed to source those products through sources that we approve. That’s a major important control that we keep because of the prevalence of substandard drugs. In Kenya, [a lay person is unable] to detect by looking at a drug whether it is high quality or not. [...] [O]ur drug supplier has an WHO approved testing lab on site, which is extremely unusual for Sub-Saharan Africa, so we have high confidence that the drugs we source are of good quality.” (Franchisor and franchisor team F)

4.4 PERCEPTIONS REGARDING RESALE PRICES

During the interviews, I asked the respondents about CFW resale prices. First of all, as explained by a franchisee and a person working at CFW headquarters, resale prices of medicines are mostly set at the CFW headquarters.

“We have a price guide which shows us how we are [...]. It has been provided by CFW. CFW decides [on] the prices [...].” (Franchisee E)

“We are working with a standard price list which is decided at the corporate level. [...] We are looking at standard pricing.” (Franchisor and franchisor team D)

Secondly, as far as resale prices are concerned, many of the interviewees - whether customers, a franchisee or an employee of a CFW clinic - perceived prices to be fair, affordable and cheap compared to other clinics and hospitals:

"[First name of the franchisee]'s prices are fair." (Customer A)

"[About the drugs, they are of] good quality and at a low cost. Any patient can actually afford [them]." (Employee A)

"People living around there, [...] they come for treatment, [...] it's not that much. [...] This is not expensive [...]." (Customer C)

"[In terms of prices of the drugs], it is cheaper [at CFW clinics] than other clinics. It is cheaper than other clinics. [...] The drugs are not that expensive. Much cheaper than other clinics." (Customer B)

"Our drugs are not expensive as the chemists or the hospitals." [Our prices] attract the customers." (Franchisee D)

"The price of medicine? I think it is within the normal price. But we have certain people in this area around us, I feel they can't afford, you know? Me, at least I am employed so I can afford. I feel some people may not be able." (Customer D)

Only one interviewee found the prices in CFW clinics to be slightly higher than in public hospitals, as explained below:

"Her prices sometimes are slightly higher than the government clinics. You know, in Kenya, it is cost sharing. The public will pay half because the government pays half. For her, [i.e., the franchisee] hers is a total payment for the charges she calculates. [...] They are not very high but compared to the government they are slightly higher." (Prescriber A)

Thirdly, several interviewees mentioned cases where CFW franchisees do not charge people who are unable to pay. This is an illustration of the social dimension of franchising in the health care sector:

"Some patients are unable to pay the bills and when they come, they say 'We cannot afford the drugs'." (Customer D)

"People are not able to pay the treatment. They are not able to meet their expenses." (Franchisee A)

"When you don't have money, you go there. [...] She [i.e., the franchisee] treats you. By the time you get something for it, you are cured." (Customer E)

“Sometimes we have to help, [we will be paid] when they will get the money.” (Franchisee D)

“Some people come from very poor families and when they go to her [i.e., the franchisee] she understands them and gives them some clinic facilities for later payment, as well. They don’t have the cash immediately.” (Prescriber A)

“The difficulties? [...] The rate of poverty is very high, so sometimes you get clients who are not able to pay for their treatment. You treat them for no cash, because they are very sick. [...] They are not able to pay for treatment, so they have come to you. So you are forced to treat them with no pay. We treat them on [credit] believing that they’ll pay, but some of them disappear. [Or there are] very old patients whom you know will not [be able to] pay.” (Franchisee C)

Finally, one interviewed customer noted that she does not pay anything when she goes to the CFW clinic to get advice:

“[I go very often to talk with [first name of the franchisee], to ask some advice], and for advice... we don’t pay for advice. [...]. No, we don’t pay for advice. [...] You can talk to [first name of the franchisee].” (Customer B)

4.5 CUSTOMER SATISFACTION REGARDING CFW

It was important during the interviews to get insight into customer satisfaction regarding CFW. As illustrated below, customers were generally very satisfied with CFW. This satisfaction concerned many elements including quality of service, treatment, medicine, as well as franchisee and employee competences and behaviors:

“When I came to CFW, I really felt it was a unique way and that’s why I really like CFW. It really makes me feel so happy to be with them together and that’s why I like CFW. [...] I think everything is perfect.” (Customer B)

“They [i.e., people at the CFW clinic] really helped me and my family [with malaria, typhoid].” (Customer C)

“The quality of their services is very high. [...] [They are good], especially for treatment. The drugs are very nice [compared with] any other clinics, any other facilities. [...] They are very better than the others. [...] Everybody [in my family] is satisfied.” (Customer C)

"I'm a customer there, and I love their services. They are very helpful. [...] Especially my eldest daughter loves that clinic. My brother goes to CFW, as well." (Customer D)

"I found treatment to be quite perfect because she seems to be understanding what she's doing professionally. [...] Staff take care. [...] They also carry out tests. I have been treated for malaria, I also had a problem with typhoid. She [i.e., the franchisee] just gave me one dose of treatment and I responded. [...] [First name of the franchisee] actually examines you, she tests you. In most of the clinics around you, they just consult [...]. [First name of the franchisee] takes enough time to talk to you and, sometimes, like I remember one time my wife was sick, so [first name of the franchisee] talked to her, told her to come after two days [...]. She has to examine you, she has to talk to you, she has to counsel you [...]. That does not happen in most of the clinics or hospitals around here. [...] My daughter was in the school. I had no money, so I had to send her to the hospital for treatment during several months. When we went to [first name of the franchisee]'s clinic, [first name of the franchisee] was very kind. She has a sexually transmitted disease. She was afraid to tell me. So [first name of the franchisee] privately called me and told me. They talked together [...]. She loves [first name of the franchisee] so much. So apart from just treating, [first name of the franchisee] will take time. She is perfectly nice." (Customer A)

"I like CFW because they treat well. They know how to talk to people, the patients. [...] And when you come they ask you every question, then they give you the very good medicine from CFW. It's a very good system for everyone, from the child to the old people. Even my family and my friends and all the people I know go there. It's a very good. A very good system. They know how to talk to patients, to treat them. [First name of the franchisee] knows how to treat. She knows how to treat patients." (Customer E)

"I find her work very good and very, very suitable for my students, which is acceptable. Apart from being acceptable, she [i.e., the franchisee] is very kind and very understanding. [...] All the students I recommend for treatment to them. They give them very good treatment. Apart from the treatment, they give them a lot of guidance and counseling, especially on matters related to nutrition, school health, common children's diseases. They also give them [...] counseling on matters related to adolescence [...]. For matters of good nutrition, you know these are young children, they are growing, they need to eat good food for them to be healthy. So the medical staff at [first name of the franchisee]'s place, when my children go there for treatment, they look at the aspects they are treating. And looking at the aspects they are treating, they give them the necessary guidance, particularly on aspects related to

common diseases, common tropical diseases. This is like malaria, typhoid, [...], as well, diseases of the stomach, diarrhea. And they give them prevention measures. Like they give them mosquito nets. They sell to them at reduced prices. The mosquito nets help them in preventing malaria. They also do teach them a lot about water, water diseases, water-borne diseases. They teach them how to have clean water for drinking. They teach them to boil the water and also use certain chemicals [...] to purify the water. I find these extremely useful. My school staff also go there apart from the school children. I myself, for example, for the last four years, I've been their patient. And all of my family, we all go to them for treatment. And they give us very good attention. Particularly [with] the common ailments, the common diseases that affect us now and again. [...] The clinic is very clean. The staff are very clean. The clinic itself is kept very tidy and very clean. They have good room. They have special room [...] and an office where we always go for guidance and counseling. Also consultation. Now her staff, I think she has adequate staff, almost four, and each of them is absolutely responsible. They keep very good records. They have my records for the whole of my family. I have six children and my wife. We are eight people who go there for treatment and they keep good records for us. And we feel very happy. They have good histories of all the diseases that have attacked us for the last four years. And you know where there is a history of the disease, [it is easier to] give the correct treatment. And I think we are feeling extremely happy about the way they are handling us. [...] The other aspect here is [...] relations with the public. [...] [They have] attention from the public and many people now go there for treatment. We have a government clinic and government hospital about a kilometer away, but most people appear to be coming here because of the kind attention they give to the patients." (Prescriber A)

During the interviews, some franchisees and the one employee described how best to satisfy customers, including how patients should be welcomed, how they should be listened to, the availability and quality of medicine, as well as clinic organization and cleanliness:

"For the customers to come to the clinic, the clinic must be well set up. Your staff should be welcoming. They should be at work on time. And then you just listen to [the patients]. You listen to those patients. You understand their problems [...]. You advise, you encourage, you see? Patients will want to come back to you because of the care you are giving to them. [...] The best thing of our clinics is that we have the essential drugs at an affordable price. And the way we give our services, we are so friendly and welcoming. We talk to [our patients], we advise them, we encourage them [...]. And our services are also very fast. [...] Also, when you compare [us to] the other facilities, for example like the

big hospitals [...], they don't have time for an individual. Then, when [patients] come to us, they find a difference." (Franchisee C)

"We go to the community and tell them of our services. Then when they come, we provide them with the services they need. And we have all the drugs that they require. [...] They get them from our clinic. And also I have qualified staff that provide the services too. So [services] are of high quality. [...] I'm efficient in my clinic. [...] Most of the time, my clinic is very organized, clean and tidy. [Patients] go home satisfied." (Franchisee E)

"There's a very big difference actually [between government hospitals and CFW clinics]. The first difference is that patients feel the attention. That's one. [...] When you go there, you are seen to. In government hospitals, they have so many patients. You need to wait for long. There are long queues. But in CFW clinics, when you come, usually I see patients [quickly], then I handle them. I usually [have] like four or five [patients]. Then I try to take the most sick one. I handle that patient first, before I continue [to see] the rest." (Employee A)

5 RUNNING A CFW CLINIC

This section focuses on running a CFW clinic in terms of opening hours, franchisee mission, customer attraction, outreach activities, competition and franchisee performance.

5.1 CFW CLINIC OPENING HOURS

Several interviewees - the franchisor's team, franchisees and customers - mentioned the hours the CFW clinics are opened, highlighting the expanded opening hours, e.g., six days or seven days a week and also evening closing times:

"When the clinic is open, it's open usually 6 days a week, Monday through Saturday, standard opening hours." (Franchisor and franchisor team F)

"She closes around five thirty or six." (Customer A)

"We open at eight and close at six. Over the weekends, we open at nine and close at three. Saturday and holidays we open at nine and close at three." (Franchisee C)

"I open at eight [to eight]. But most of the people, [...] they open the clinic [at eight, they close] at six, six pm. Six days a week, because on Sundays I don't open." (Franchisee D)

"And we operate daily from 8 am to 5:30 pm. From Monday. Even weekends we work. [...] Seven days a week." (Franchisee E)

"They open around eight and I think they are opened until around five. [...] They don't [open] at night. [...] When we have problems in the night, we have to wait until the next day. The facilities are open during the day." (Customer D)

5.2 CFW FRANCHISEE MISSION

A few interviewees - customers and franchisees - mentioned the specific attention paid to children and women in CFW clinics:

"Especially she [i.e., the franchisee] is very good [with] children. [...] She is very good [with] women, [with] talking to women, for women and children." (Customer A)

"I have lots of experience with family planning, for mothers." (Franchisee A)

But other interviewees - CFW franchisees and the employee - pointed out the more general activities carried out in CFW clinics and the availability of laboratories:

"The clinics treat or focus mostly on preventing and treating prevalent out-patient conditions, such as malaria, respiratory infections, diarrheal diseases. These are conditions that cause a disproportionate amount of morbidity and mortality in the communities where we're working. [...] The clinics also do other things they can do through such a simple format like dressing of wounds, ear infections, eye infections, some family planning counseling and product sales like condoms and so on. Preventive education and tools like mosquito nets, moderate prenatal counseling and prenatal vitamins and stuff like that. So these are parts of the service offering to the community. But what CFW does not do is comprehensive care, in-patient care, surgery or other things that require dramatic increases in equipment, staffing or other infrastructural licensing of our clinic, because we feel that would take our focus away from the short lists of diseases that we can address through such a slimmed down, skinny format." (Franchisor and franchisor team F)

"My clinic provides health clinic services for both adults and children. [...] We also provide health services, such as immunization services and health education services. [...] For the laboratory, we do malaria tests, typhoid tests. We do blood sugar, we do sexually transmitted infections tests, we do urinalysis, [...] then we do hemoglobin." (Franchisee E)

"CFW clinic is a [...] medical clinic [that] provides quality health benefits to people, especially children. And the mission is to reduce the mortality rate [...], to prevent conditions, especially the infectious ones, and to provide health education to most of our clients. [...] I actually see patients, examine them, treat them and provide health education to them. [I also do] clinic work like follow ups." (Employee A)

"I do immunization, we do a lot of immunization." (Franchisee A)

5.3 CFW CLINICS AND CUSTOMER ATTRACTION

A few interviewed franchisees explained to me how they attract customers to their clinics by cultivating good relationships with the communities and customers:

"You have to have a good relationship with the community. You have to [...] talk to them nicely and so they like you [...]. They will not go away [...], they will come to you. [...] Usually, if you don't have a good relationship with them, they will not come to you. They will just go somewhere else. But when you talk to them nicely

and you treat them, they will just come. Even if you will not tell them to come.” (Franchisee D)

“[I attract customers] because of the way I talk with them. The way my staff talks to them. We have that customer relationship when we are dealing with the patients. [...] The way we provide our services attracts the customers more.” (Franchisee E)

Several customers and the prescriber shared with me the reasons why they go to CFW clinics and pointed out the “word of mouth” effect:

“All of my family, my children, my mother, my father, they go to CFW. My friends also.” (Customer E)

“I give you an example myself. I go there with my family. Most people are going there with their families. [...] Most of the time, our students go to the clinic there. [...] Most of the time we send our students there. We send our students there; we send our staff there.” (Prescriber A)

“Yes. [...] I recommend [the CFW clinic] and they want to go to this clinic. My family has had good experience.” (Customer B)

“Yeah, indeed, I recommend this clinic to [my family, my friends and the community].” (Customer D)

“Several of my people, in several churches [...] and most of my pastors and their wives, they go there [i.e., to the CFW clinic].” (Customer A)

“They come time to time when they are not well [...]. They usually give word [of] mouth to other people [...]. People keep on coming [...].” (Franchisee A)

5.4 CFW CLINICS AND OUTREACH ACTIVITIES

Other relevant activities engaged in by CFW franchisees, like outreach programs in schools, were mentioned during the interviews. According to the interviewees, these activities are part of the CFW concept and ultimately benefit the CFW clinics:

“We go out [of the clinic] for different programs.” (Franchisee B)

“We go out [of the clinic]. They are outreaches, outreaches. [We meet] the community [and talk] about medication that are around [...]. The school has programs. It’s like an outreach too. We teach the children [about] malaria. We teach them how to take care of themselves [...], we advise them to go and tell their parents at home. That’s how we connect with the community [through our] programs. [...] It is [in] our manual that we need to carry out

school programs. [...] We are supposed to go and [do] outreach. I mean, school health programs in the community. All franchisees, yeah. [...] There are some school programs whereby you invite the parents. They call it 'Parents' Day'. We can plan for a talk. We meet the community, the parents and the children at the same time. So when you go out for school programs, you are meeting those parents, the community." (Franchisee C)

"We usually have home visits [...]. And then we visit groups [...]. We go there and do a talk on health and diseases [...] in the area. [...] It is one of the requirements by CFW. It is one of the requirements, to visit [...]. But I usually enjoy it [...]. You advertise [to] people. You tell them where you are, what you do, so that they can come in the clinic. [...] You have a talk with the community." (Franchisee D)

"You see, when you are working with the public on the ground, there are things we don't understand when they come to the clinic, because they come when they are sick. Why do so many people come with skin conditions? Why is it some people have a lot of pneumonias? [...] So I tell you when you go out there [...], where people come from, you are able to understand them better. So even in terms of management and advice to make our lives even easier. In schools [...], the children who are in schools are representative of the type of community, because many homes are represented in that school. So when you talk to them, you tend to understand the community better. I remember I did a school health program that was in 2006 and 2007. I was the coordinator and that was the most exciting part of my stay in this organization [...]. And one thing I realized is that there is a lot of [poverty] in the community. There is a lot of poverty. And in one school we had, [...] there was a lot of fungal infections, but because we did occasional [...] at the end of it [...] all the fungal infections disappeared and everyone was saying 'Look! Our students are clean' and all these kinds of things. [...] [These programs target] both the new people and the existing customers. We encourage them [...] and also tell them 'Stick around. We'll care for you.'" (Franchisor and franchisor team A)

5.5 COMPETITION FOR THE CFW FRANCHISEES

Several interviewed franchisees explained to me that they face competition from chemists and hospitals:

"Another challenge is the competition. [...] The nearby clinics and chemists and hospitals [...]. Yeah, I have competitors. It's a challenge. The neighboring clinics are government institutes and they give free services. [...] Treatments are given free. But when they come to my clinic, they need to pay." (Franchisee C)

“The competition is there, the hospitals are there and we have the chemists.” (Franchisee D)

“There are some clinics in the villages.” (Franchisee E)

One of the interviewees pointed out that this competition is unfair and can have potentially severe consequences:

“Actually, I do call it unfair competition because you realize there are some people operating in some locations they are not licensed. They don’t have the experience. [They don’t know] how to give an injection. [...] So competition has to be there. But then we always ask the government to control the competition, because [it could] end up causing a lot of trouble. They [could] end up giving the wrong medicines.” (Franchisor and franchisor team A)

However, several interviewees - franchisees, the employee of a CFW clinic and the prescriber - talked about relationships and complementarities between CFW clinics and public hospitals:

“She does recommend for certain complications, she recommends her patients to go to the government clinics, which have special instruments that she doesn’t have [...]. She does recommend them to go there. Like, if you know, for example, typhoid. There are two types of very complicated diseases and for the one she can’t manage to treat, she gives recommendations to government clinics and the government clinics normally [...] give the right treatment, [...] as well as follow her instructions and directives.” (Prescriber A)

“The patients come [and] want to deliver [their babies in] our clinic, but because we don’t have equipment for deliveries, we actually send them to [the] government hospital.” (Employee A)

“And if I find there is a patient who is seriously sick, I refer them to a county hospital.” (Franchisee E)

“We carry out preventive and cure. We also organize with the district hospitals [...]. There are some programs like... we have a Malaria Day, a HIV Aids day, so when they have such programs we also alliance with them. We get in touch with them [...]. We have a program to prevent infections, [another about] water. I think that’s what we do. [...] [If] we cannot [do something] in our facilities, we refer those people [to hospitals for them to] be managed well.” (Franchisee C)

5.6 CFW FRANCHISEE PERFORMANCE

How CFW franchisees perform was explained during an interview, distinguishing between financial performance and performance from a compliance perspective:

“We measure [the performance] in two ways. The first way is... we have a compliance checklist that we... we visit the clinics in an unannounced way periodically and score them on how well they are complying with the quality standards and brand standards. So this is a standard form that the field officer takes there and looks at: Is the person sanitizing the equipment in the way that’s prescribed? Is the person storing the drugs in the way that’s prescribed? Is the person in stock of the drugs in the way she should be? Is the outlet clean in the way that it’s supposed to be? All those things are scored. So we have those performance measurements. The second way is through the unit profit and loss statement. We see that some clinics see a lot of patients and have a lot of revenue and are profitable and presumably can be there forever. Other clinics are struggling and marginally profitable. Some clinics have trends or long-term situations where they don’t have seemingly very many patients and we think of them as not performing very well. They, sometimes they default on their loans or, in an extreme case, they’ll get into financial distress and eventually they will close down or we will close [them] down as they stop following our standards. So we measure performance both financially and from a compliance point of view. Basically, I mean, more broadly though, you know how it is, right? It’s like, how do you judge performance of 50 things that are all sort of the same. You can tell by all those... is the clinic vibrant and open all the time and the nurses excited and patients are coming? Is she [giving them medication] and is she following the standards? That’s really what we think of as a success and I think that can be measured quantitatively, but there is that qualitative aspect, like ‘Yeah, this person, she had a family disaster and was struggling with cash for a few months’. But more broadly, there’s a context where she’s really trying hard and we trust her. That’s a lot different situation than someone who’s, you know, who’s fallen behind on payments to us for no real reason or has become disinterested or combative or whatever.”
(Franchisor and franchisor team F)

6 CORE ELEMENTS OF FRANCHISING AS APPLIED IN THE CFW NETWORK

In this section, what is of interest is how CFW deals with the three pillars of business-format franchising, i.e., know-how, brand name and assistance.

6.1 CFW KNOW-HOW

Regarding the first pillar of business-format franchising, i.e., know-how, according to the conducted interviews know-how was experimented with within the company-owned clinics before being codified then transferred to the franchisees. The franchisee compliance with CFW know-how is also very important.

6.1.1 EXPERIMENTATION OF CFW KNOW-HOW IN COMPANY-OWNED CLINICS

During the interviews, I was informed that CFW is a plural form network with a few company-owned clinics that are known as test clinics for CFW know-how, to test innovations, etc.:

“And we have other clinics, we call [them] company-owned clinics. We have one in the central region. We have two in Nairobi and we have one [other]. [...] They are owned by CFW. [...] We call them test clinics. [...] They are for profit. Not like the other franchises [...]. Those ones are a bit different. [...] We call them test clinics because we are testing a [business] model. They are for business [...]. They are managed by CFW. [...] But the operations, the concepts are the same. The medicines they get... the same [...]. The only difference is that the [employee] who is working there is an employee. [...] We do inspect them and also we do supervise them and we work in very close relationship with them.” (Franchisor and franchisor team A)

“[About] the company-owned clinics, [...] the only difference is that we are using them as testing grounds for new innovations. [...] We are looking at services that we haven't had have in the past like laboratory services, which initially when we started we didn't have. We've been looking at marketing options [...] because for [these] clinics, we are able to manipulate all factors and learn from that. We are looking at [improvement]. [...] For the company-owned units, we are able to control their stock levels of drugs, so those are some of things we're looking at. [...] All of them are uniform, offering the same services at the same rate, [...] virtually from appearance, and everything from furniture, from the use of drugs they are using, they are all the same.” (Franchisor and franchisor team D)

6.1.2 CODIFICATION OF CFW KNOW-HOW IN DOCUMENTS

The contents of the CFW Franchise Operations Manual confirmed for me that CFW know-how is really codified. Moreover, I was surprised to see the level of detailed explanations given to the franchisees in this manual compared to many other operations manuals I have had access to in previous research on franchising in various industries. The CFW Franchise Operations Manual is organized as follows:

- Introduction: mission, organizational structure, etc.
- Health services: client visits and management, customer service, etc.
- Operations: clinic appearance standards, administrative forms and procedures, etc.
- Drug management: drug and supply management cycle, orders, stock, etc.
- Financial/business management: franchise fees and reporting requirements, etc.
- Staff management: recruitment, interviews, hiring, etc.
- Training and education: continuous training, etc.
- Marketing: brand, advertising, promotion, etc.
- Leveraging the advantages of the franchise system: franchisee/franchisor relationships, etc.
- Appendix

I was not able to see the updates, though each time the know-how evolves the franchisees are informed. Page X of the CFW Franchise Operations Manual, entitled “Manual Updates,” ensures that the franchisees receive the latest know-how and keeps the manual up-to-date.

As mentioned by several interviewees - the franchisor’s team, franchisees and the employee of one of the CFW clinics - CFW know-how is fully described in several documents, e.g., the Unit Operations Manual, the manuals containing standard treatment guidelines and those on essential drug handling, to facilitate its transfer from the franchisor to the franchisees and their employees:

“On day to day basis, we also have the code of operations with us.”
(Franchisor and franchisor team A)

“The CFW training person [...] conducts training using the written materials that embody the CFW system. The main one is the Unit Operations Manual that tells you how to operate a CFW clinic.”
(Franchisor and franchisor team F)

“After they sign, we keep available documents, such as the operations manual with the usual policy and standards. Then we have a training manual, a franchise manual, which ideally gives them [i.e., the franchisees] procedures. Then, apart from that, we have a standard treatment dateline which [describes] how to use the commodities that are on our list. So apart from that, we also have a list showing all the items that are accessible. Those are some of things they use. [...] On the national guidelines, [there are] the specific drugs to be given at the specific level [...]. So there [is] a lot of documentation; a lot of references [...]. We also do a newsletter [...] which gives updates [about] the field and any new innovations, any new ideas and such.” (Franchisor and franchisor team D)

“We have some guidelines [...], [but it is also] something inborn. CFW [franchisees] generally have been given guidelines for how we take care of our patients. Then apart from that, it comes to an individual. It is down to an individual. [...] How do I make my clinic? [...] So, as a franchisee, they will help me with my staff, to maintain my customers [...].” (Franchisee C)

“I give them [i.e., my employees] that guide. We have our guide [...] which I give to the staff. And the guidelines tell us what to do. We have the manual [...].” (Franchisee E)

“Actually, when we meet patients [...], we usually follow a professional code of ethics like privacy to the patients, confidentiality [...]. We don’t go outside speaking something about the patient. No, we don’t do that. Our information is actually private and confidential.” (Employee A)

6.1.3 TRANSFER OF CFW KNOW-HOW THROUGH TRAINING

Several interviewees mentioned the existence of both initial and continuous training sessions that serve to transfer CFW know-how from the franchisor to the franchisees (and their employees).

6.1.3.1 INITIAL TRAINING

Regarding the initial training - actually organized as one week of classes followed by ten days of practice in another franchised clinic - several interviewees from CFW headquarters highlighted the complementarity of in-class and practical training sessions and the significant role of already established franchisees in this initial training process:

“[Initial training] is supposed to be roughly about a week. [...] So what we do is organize for them to come in the office. We give them the brochures, we give them other pamphlets to go and read. Then, we tell them to come up with the questions. So when they

come [...], they ask the questions and we answer them. And now the process continues. [...] We correct them; we correct them and we put them in the correct perspective.” (Franchisor and franchisor team A)

“The franchisee is undergoing training both in a classroom with the CFW training person who’s on staff at the franchisor entity. She conducts training using the written materials that embody the CFW system. The main one is the Unit Operations Manual that tells you how to operate a CFW clinic. And after the classroom portion of the training, which is about a week, the franchisee then is attached to a successful CFW clinic with one field staff also spending a significant amount of time with the new franchisee to detect any clinical gaps and any gaps in understanding how to operate the system. They can model how they will operate their clinic on the franchisee who is hosting them in this training exercise.” (Franchisor and franchisor team F)

“The [initial] training will be near to where the clinics are set up. [...] Training in a class explains the different aspects [of the business]. The day after, there will be an attachment to an existing CFW franchisee. And the attachment is for basically 10 working days, so they can put into perspective what they have learned in class. [...] It’s usually because you’ve identified the existing franchisees who we use to help guide the new trainees when they go into the training for 10 days so we don’t have a problem with them refusing. And once you’ve joined the system, you know that is what we expect from you. We expect you to train the new coming ones, but it’s also easy because the incoming franchisees, the majority, are inspired by the existing franchisees.” (Franchisor and franchisor team B)

“In terms of the basic system as opposed to continuing education, there [are] standard record keeping forms that we teach the franchisees how to make use of for themselves and for the purpose of giving us information. So filling out a profit and loss statement is not something these franchisees know how to do until we transfer that knowledge to them, for example. Maintaining inventory is really tricky in clinics like these and that’s another aspect we work on with them. How to place... how to know when to place an order, for what product, [how to] deal with cash constraints and so on. [...] We have a manual for treatment guidelines and for drug handling guidelines. [...] We do not train nurses to become nurses [because] they have already undergone nursing school and had years of experience as a nurse. But sometimes they have gaps in knowledge from lack of training over the years since they were originally trained. Or just that their roles they’ve been in before they joined CFW are more limited, so they have to get used to treating people on their own, being the main point of care for the

patient. So we do train franchisees to fill some of those gaps. So that, in terms of continuing education, that's often what continuing education is. Like hypertension was a real example where that's a condition that is seen more and more at our clinics and how do we recognize that? Treat it? What test do we do? How do we refer people? What are the signs of it? All those normal clinical things... That kind of knowledge is transferred to franchisees. [We organize] dedicated training sessions for a few days, for example, with either a trainer from our staff or an external trainer who's an expert on that subject." (Franchisor and franchisor team F)

"[During initial training], you're taken through what a franchise is about. What [are franchisor and franchisee] expectations? [...] There's also clinical management [training], drug management training, [...] business management [training]." (Franchisor and franchisor team B)

6.1.3.2 CONTINUOUS TRAINING

Regarding continuous training, several interviewees from headquarters and also franchisees and an employee of a CFW clinic mentioned the existence, the main characteristics and the usefulness of these continuous training sessions. They also talked about sharing updated know-how with their employees:

"We have some continuing education that we offer to nurses who are current on their payments to us and that helps nurses to fulfill their legal requirements for continuing education to maintain their government-issued nursing credential. That's another benefit of the system that we offer franchisees and that they express is valuable to them." (Franchisor and franchisor team F)

"Oh yes, they give us seminars and workshops. Yes, this year we [have been] trained." (Franchisee D)

"[We have] training on things we are not familiar with." (Franchisee A)

"[Continuing training] is [for] several franchisees in one place. We usually do this by region. There are three regions: western Kenya, central Kenya and then the broader Nairobi area. So we get together those three groups." (Franchisor and franchisor team F)

"We have some training, [for instance about] malaria. [...]. [It is organized] outside the clinic. Sometimes we go [...] all together. [These training sessions] are very helpful. They are nice. They are good." (Franchisee B)

"We shall have our teachings, like when you go for a malaria seminar. When you come back you need to update the staff [...]"

[about] the new cases, the new diagnoses of malaria and treatment.” (Employee A)

“What we usually do for the existing ones [i.e., franchisees], we tell them to identify the areas they feel they are going to have [difficulties with]. So we pick topics we feel that they would benefit from.” (Franchisor and franchisor team A)

6.1.4 NON-COMPLIANCE WITH CFW KNOW-HOW

As explained during two interviews with the franchisor’s team members, CFW staff monitor franchisees and their employees in terms of compliance with CFW know-how to preserve the brand image and its consistency across the network. If non-compliance is noted, franchisees can be required to exit the network:

“I ensure that the franchisees adhere to the rules and the regulations as part of the guidelines of the network; that they are following the code of operations. Then, I also enforce the proper use of medicines and ethical practices in the outlets, in the clinics. [...]. And usually, about this uniformity, usually the franchisees respect the guidelines. [If] they try to adapt to the local market, to the local community [...] because they don’t want to address the rules of the operation, [...] some clinics are closed down. [...] That’s when we are very, very strict. [...] We give them first warnings [...], then we close them down.” (Franchisor and franchisor team A)

“Their enjoyment of this business opportunity is conditioned upon compliance with the quality standards. If we go there and we find they’re not complying with quality standards, we’ll revoke their franchise. They lose the investment they made in the franchise. They lose their income, they lose their prestige. [...] For example, we have a rule that says you can only sell the drugs that we supply, because we maintain a secure supply chain that eliminates the risk of counterfeit bureaucracy. [...] The worst enemy of quality care is counterfeit drugs. [...] So you need to counteract that perverse incentive by creating an incentive system called a franchise business that you can own and then teach them how to run it to deliver effective quality and then take it away from them if they don’t deliver the effective quality. If they break the rules... I don’t know how many we’ve revoked, but it’s something like a dozen or more over the years for these kinds of lapses. So, these franchisees know we really mean it. That’s the key to this. That’s why it works. And so everyone who’s thinking about franchising for health care needs to understand that point.” (Franchisor and franchisor team E)

Access to internal data shows that when field officers visit the CFW clinics they rate the franchisee’s compliance with CFW know-how according to 50 standards laid out in the CFW Unit Operations Manual classified as follows: client services,

equipment and supplies, personnel, products and logistics, layout, management, outreach and promotions and miscellaneous. It is referred to as the Compliance Evaluation Scorecard.

6.2 CFW BRAND NAME

Regarding the second pillar of business-format franchising, i.e., brand name, very few interviewees actually mentioned the importance of the CFW brand name, despite the fact that many interviewees talked about CFW network uniformity.

6.2.1 RELATIVE IMPORTANCE OF CFW BRAND NAME

Very few interviewees - people working at CFW headquarters but no franchisees and/or customers - highlighted the importance of the CFW brand name during our discussions:

"[Regarding the CFW brand], yes, I'll say the reasons why I think it is and a couple why I think it's not important as in some franchises. [...] Imagine you're a customer walking around in either [an] urban sprawl area or a rural agricultural area in Kenya. In either case, you and many of your friends and family are often burdened by the same conditions, malaria and so on, and you have a certain set of facilities that you do visit and deal with that. Government facilities, which are fairly large, and other private facilities, which can be formal or less formal. And many of those facilities simply [don't have a] stock of drugs. They don't have qualified persons working there. They don't have the right services. There isn't access. People are rude to them. They're too expensive... All kinds of problems that face you if you're trying to get health care. And so when they see CFW, they see a place that's reliable on its own terms, but they also notice, customers have expressed to us that they also notice that it's not an isolated clinic. They see a CFW vehicle come and visit the clinic once in a while. They know that there's some kind of supervision going on. That's part of a system. So, I think that's very important for customer trust and understanding from a franchisee perspective. [...] So I think that the brand is important. The one way that I think it's not important, in the way that it is, at least yet, [...] for a franchise, say, in the US, is the vast majority of our customers do not go to more than one CFW clinic and they do not have occasion to be, sort of, randomly traveling around on road trips where they see the sign out the window like you do with McDonald's or other large brands that in the American landscape and other landscapes have come to dominate and have [become] sort of ubiquitous to the point where people know what they're getting just by driving by the clinic and seeing, the restaurant or hotel, or whatever, and seeing the sign. In our case, people learn to trust the CFW brand locally, but they don't necessarily ever see another CFW clinic. Both because we

don't have that many, and it's a big country, but also because you're living in an agricultural area. Maybe you go to a city once in a while for some special purpose, but you would not normally just go to other villages where there's a CFW clinic sort of for no reason and encounter it." (Franchisor and franchisor team F)

"So one reason why they usually come to a clinic is that because of the brand. The CFW brand. [...] Again, they say the medicines we offer [are] good medicines. [...] So in terms of medicines, [...] that's what attracts people to our outlet so much." (Franchisor and franchisor team A)

"A customer walks into another CFW clinic [...], they're in touch with the brand [...]; they can comfortably walk into a CFW clinic." (Franchisor and franchisor team D)

6.2.2 CFW NETWORK UNIFORMITY

Even though no franchisee or any customer explicitly talked about the importance of the CFW brand name, many interviewees, including franchisees, pointed out the importance of CFW network uniformity:

"It is uniform. We have a manual that guides us on how to manage the facility. [...] We have to follow the manual. We have to order drugs from the head office. [...] We are not supposed to buy any drugs outside the [system]. [...] The time we open is the same. The time we close should be the same. [...] The printing of the clinic is the same. Everything is done in common. So if you go to a certain clinic and then you come to another one, what is being done there is exactly what should be done in the other clinic. We have the same prices [in all] CFW clinics. They are the same. [...] The differences [are] in the outcome. How do you give out your services? The rules are the same. [...] How do I make my business to thrive, you see? [...] How do I handle my care, my customers? How do I keep my clinic? [...] And that will make my customers to come in." (Franchisee C)

"All of the clinics in Kenya are uniform [...] which is CFW clinics." (Franchisee D)

"Yes, prices are similar. They are the same. We have uniform price guide, which [is] to be followed by all the clinics in our network. We control them ourselves [...]." (Franchisor and franchisor team A)

"[Uniformity] is important because when we have a standardized format and manual it means that [...] we have standard specifications for furniture or inventory or even financing that is useful in opening a bunch of outlets. When we're training

franchisees, we're training them on one system rather than training them on all kinds of different things. When we are offering continuing education and other benefits and peer learning sessions to all franchisees, they're all kind of on the same page. If there's a new trend in Kenya, there's more hypertension, for example, all of them instead of just a few of them will benefit from that. When we're maintaining compliance, it's with a single system, and so on. So I think it's much easier to grow an outlet like this and maintain control over it. It's also important for customers, other than those customers that only visit one clinic. [...] [B]ut an insurance scheme that is regional or national it's very useful for us to be able to negotiate with such a pair or customer based on having a system that is the same in one area as in another area. [...] So there [are] two levels of pricing. The first level is pricing to the franchisees who purchase products and that is uniform. Some years ago we actually eliminated all margins on the vast majority of the products that franchisees buy. [...] When we discontinued royalties, which is before my time, we instituted margins on products sold to franchisees to effectively replace the royalty income and eventually I eliminated those margins, for reasons I can describe if you want, but basically all the franchisees buy the products at cost from the suppliers at this point so that pricing is standard for all franchisees. The pricing sold by franchisees to patients is standard by region. We have recommended pricing based on regions. [...] [T]hey often charge less than the recommended price to patients who cannot afford to pay the full price or who they perceive cannot afford to pay the full price. So there's some variability there that's at the discretion of the franchisee." (Franchisor and franchisor team F)

6.3 CFW ASSISTANCE

Regarding the third pillar of business-format franchising, i.e., assistance, several interviewees explained the kinds of assistance provided by the franchisor to the franchisees, often insisting on visits to the clinics by the field officer and on a variety of assistance.

6.3.1 FIELD OFFICER VISITS TO THE CFW CLINICS

During my interviews, it was apparent that visits to the CFW clinics by field officers were important to the franchisees, more specifically in terms of providing assistance to the franchisees. These visits are, in general, very much appreciated by the franchisees:

"The visits are, one, to supervise on quality to ensure that the standards are being met. Two, on capacity billing, because we are dealing with franchisees who have been in the practice for quite some time and looking at the bill of sales. [...] So they give

capacity billing to the franchisees on the job [...]. Three, [about] working with the districts, with the government facilities and the government institutions. [...] At least every month a clinic is visited. [...] In the regions, we have field officers who supervise the clinics. [...] They do visit the clinics once or twice.” (Franchisor and franchisor team D)

“I am a field officer [...] attached to the CFW network [...]. I have several roles and one of the roles is to make sure I am the link between the CFW network and the franchisees. [...] I also perform regular visits to the outlets. [...] I have different roles. Many distinct ones. [...] We are supposed to [visit clinics] every... once every month. [...] [Regarding the duration of the visit], it depends on the needs and how busy they are, because at the end you can spend two or more hours. [...] If they have patients, [...] I have to wait. Another one comes in, I have to wait. But the least time I spend for an hour. [...] We do a lot of community outreach with them.” (Franchisor and franchisor team A)

“They openly come in but down the line we have a field officer who visits the clinic monitoring. [...] We are on a monthly basis. [...] They need to come in and check our reports, when we are working, if there are any problems. [The field officer] spends some time. He can even stick around, [...], meet the staff, check my records, my register [...]. He goes around the clinic to see if there are any problems; if the goals are being met. He takes some time. [This is] very helpful because [...] the field officer is qualified [...] like in management [...], the nursing part of it, the financial part of it. So whenever my [sales] are going down, he advises, he encourages me. All for me to meet the success I need.” (Franchisee C)

“Yes, they [i.e., franchisor’s team members] usually visit the clinic regularly. [...] We usually talk with them and they help us. [...] We have the daily register, they check the daily register. [...] When I want to talk with him [i.e., the field officer], [...] we have a contact [...].” (Franchisee D)

“Every three months. [...] They go around the franchisee clinics and visit them almost every three months, about three to six months. They come and they see my clinic. [...] When they come, they do inspection. And if there is something that I need their advice, they advise me.” (Franchisee E)

“Actually, we usually meet them. Some come to visit us to see how we are getting on and at the end of the month we [...] submit a monthly report [...].” (Employee A)

6.3.2 WIDE COVERAGE OF ASSISTANCE

According to several interviewees, the assistance provided by CFW covers many aspects of the franchisees' daily activities, such as supply, marketing, communication and advertising:

"Another part of the franchisor function is to maintain a secure supply chain of high quality medicines and other products. So we have one main drug supplier in Nairobi, one main hygiene product supplier in central Kenya and then we also deal with [name of another company], which is an enormous international NGO that controls the market for some water purification products, some mosquito nets and some family planning products in Kenya through upstream subsidies that are then intentionally distorting the market downstream, according to [name of another company]'s beliefs and mission. So we arrange supplies from those three suppliers. The franchisor takes orders on the phone from each franchisee once a month. The franchisee calls in an order from the standardized lists of products they're authorized to sell. [...] So the franchisees place the order over the phone to us, we route their orders to the three suppliers, the three suppliers deliver to the franchisees. Some of that is done directly by the suppliers, some of that is done through a third party intermediary courier service that we arrange and manage, because some of our clinics are too remote or in areas that are not served by the distribution network of the suppliers themselves." (Franchisor and franchisor team F)

"We make sure that the clinics source their supplies from us and nowhere else. We also make sure that the clinical experience is up to date. [...] We also ensure that all the clinics receive their supplies every month. We also have a [field officer] who follows the franchisees and mentors them, both the clinical and business aspects of their enterprise." (Franchisor and franchisor team B)

"There are several things that CFW gives us. You cannot [get] on your own things like a license, getting supplies... something like that. So I would advise [people who want to] start a clinic..., I would advise, I would recommend to have somebody [like CFW]." (Franchisee E)

"We [...] negotiate with the major suppliers in the country who specialize in offering a subsidized drug. [...] Then we do send the orders to the supplier. [...] So once the supplies are ready, they are sent directly to the individual clinics." (Franchisor and franchisor team D)

"I do need them [i.e., franchisor's team members]. [...] I was saying that they give me that assistance financially and then I

organize seminars appropriately. Most of the time they help me [with] the supplies that I need [...].” (Franchisee E)

“[The franchisees] are able to do [local advertising] on their own, on their level, depending on the specific needs. But we have been coming up with [...] tools, posters, brochures, which we have distributed to all the units.” (Franchisor and franchisor team D)

6.3.3 ORGANIZATION OF CFW HEADQUARTERS

The competences and the way that CFW headquarters is organized contribute to the assistance provided to franchisees. According to several interviewees, the assistance provided by CFW covers many aspects of the franchisees’ daily activities, such as supply, marketing, communication and advertising:

“There’s a regional field officer whom we employ who visits the clinics regularly to maintain compliance with CFW standards, to help the franchisee with various items along the way.” (Franchisor and franchisor team F)

“At the headquarters, we are roughly around 10. [...] We also have other departments like a financial department. We have someone to [deal with] data [and someone to deal with] the procurement [of] drugs.” (Franchisor and franchisor team D)

“We meet every three months and go [to] a quarterly meeting to discuss issues [...]. And then every week, we send down some... we do some reports. So we send them through the email. And we also use the telephone. If there’s something, I call the headquarters. And my relationships with headquarters, I think, are good. It’s perfect because actually our whole idea is the same: to improve services in the CFW network. So I think the relationship is good. I can’t complain. [...] Quarterly, we have a project council. [...], [T]hey also can meet every three months. [...] They share experience and they also map out the way forward.” (Franchisor and franchisor team A)

“We collect records from the franchisees, standard formats, both clinical and financial records. So a couple of the most important forms that the franchisees fill, one is the monthly profit and loss statements so we can get a sense for patient traffic and revenue and costs and profitability of each clinic. Another is the morbidity tally, which we use to see who’s treating what condition, what people with what conditions, what numbers and [it] is also a government requirement that the clinics submit the morbidity tallies to the government. There’s other forms as well that can play short term and long term roles. For us, we’re hoping to integrate electronic clinic management into the clinics to replace this paper system.” (Franchisor and franchisor team F)

Moreover, according to internal data, I observe that CFW masters organizational know-how, i.e., know-how that is not necessarily transferred to the franchisees but that indirectly helps the franchisees succeed. One concrete example is the CFW Outlets Compliance Code that is “a code for the Field Officers on how to handle non-compliant CFW franchisees. It defines contraventions of specific CFW franchise standards so as to clarify the relevant steps an officer should take.” The code helps the field officer classify a franchisee’s non-compliance, from a minor offense/misconduct/failure to a serious one to a very serious one to a gross offense/misconduct/failure, and to decide whether to issue a verbal warning, written warning, call for temporary closure or demand immediate closure. After an explication of the code, the disciplinary actions and the classification of offense/misconduct/failure, a very detailed table provides clarification using twelve specific situations. Let’s take the first one as an example:

- franchisee obligations/standards, e.g., “regular opening hours - a minimum of 40 hours per week”
- franchisee non-compliance, e.g., “frequent closure over normal working hours without prior notification”
- the degree/classification of the offense/misconduct/failure, e.g., “serious offense”
- the supervisors’ action, e.g., “first time: verbal warning; second time: a week after, first written warning; third time, after another week, final warning and report to headquarters for management to take action”

7 RELATIONSHIPS AND SATISFACTION WITHIN THE CFW NETWORK

In this section, I look at relationships and satisfaction within the CFW network, more specifically franchisor/franchisee relationships and relationships among franchisees and global satisfaction.

7.1 FRANCHISOR/FRANCHISEE RELATIONSHIPS

First of all, regarding franchisor/franchisee relationships, several interviewees pointed out the existence of close relationships and indicated several means of interactions, such as meetings, conventions and the franchisee advisory council.

7.1.1 MEETINGS

The interviewees also spoke about the frequency and organization of meetings:

“We have a meeting [...] at CFW. It is every three months.”
(Franchisee E)

“Every month we have a meeting with them as a group. Every second week of the month, we do meet them. So they talk to each other. So we are able to have teamwork and a new spirit. [...] We can exchange experience [...] and also have a solid team spirit, you know. [...] If there is something preventing them from coming, they send an apology. [...] About an average of thirty-one do attend. [...] So there is a guest house here in [...] where we meet because we have got a hall adequate to fit all of us.” (Franchisor and franchisor team A)

“People from the western region, we have what we call a cluster meeting. [A] cluster meeting is a group of franchisees who come from the western region. So we meet [...] like once in a month just to talk about some of the challenges that we are meeting [...] and we encourage each other. We go around the clinics and make some corrections here and there [...]. Also, we also do some continuous requalification whereby we [invite] somebody who is qualified... like a doctor who is qualified to talk about [something specific] that we need to know about it [...]. In the western district, we are five [at these meetings].” (Franchisee C)

7.1.2 CONVENTIONS

The conventions, less frequently organized than the meetings, were also referred to in some interviews:

“We meet like once in a year. Once a year, we have a convention whereby all the [franchisees] come together with the head office.

[...] We encourage each other what to do even better. [This is like a] family [...]. [This convention] is for all Kenyan franchisees." (Franchisee C)

"We have one. Before it used to be every year but I think [...]. We have one conference; a type of a conference with other franchisees in the system." (Franchisor and franchisor team A)

7.1.3 FRANCHISEE ADVISORY COUNCIL

How the franchisee advisory council functions was also explained:

"The franchisees, we meet regularly, because I am the chairman of the Franchisee Advisory Council. I visit them at regular intervals. Or we meet once a month. [...] And when I have gotten any information from [CFW], I give them the information. [...] So I am aware of [how] all the clinics are; how they are coping. [...] So if there is anything that the franchisees require [...], we come up with a solution. [...] This position [of chairman of the Franchisee Advisory Council] is done by the franchisees [who] identify who is the chairman. So I am appointed by the committee. [...] So I was selected by the western region [franchisees]. [...] We have a meeting once a month." (Franchisee E)

"We also have one other mechanism, which is a franchisee advisory council. Every year, the franchisees will elect representatives from each of the three regions to act as an advisory group that gets together several times a year with the franchisor staff and gives ideas and complaints and discusses problems and opportunities and so on. So that's, that's another connection that we've made." (Franchisor and franchisor team F)

7.2 RELATIONSHIPS AMONG CFW FRANCHISEES

In addition to franchisor/franchisee relationships, several interviewees from CFW headquarters highlighted the relationships among CFW franchisees:

"We do encourage that [i.e., relationships among the franchisees] and they do a really nice job of that. That's something in the last five years or so that we've helped to happen a lot more where there's peer groups that get together each month. Not for the purpose of continuing education but just get together as a peer group in each region. They talk about common struggles and their dreams of adding a laboratory to their clinic, ideas on getting [more] patients. If one of them succeeds in a new government license like authorizing immunization through their clinic, then they'll share that information on how they achieved that with their peers and so on. [...] Usually, there is our field officer [who] attends those meetings and listens and thereby gets a really

thorough sense of what's on the minds of the franchisees." (Franchisor and franchisor team F)

"Our franchisees definitely are proud of the brand and they're proud of being part of a group of peers. There are a lot of regional activities and sort of peer groups and mentoring that happens within CFW. People competing in a good natured way for prizes, who's the most improved clinic of the year, the highest sales of the year. People getting together and sharing things that worked for them or didn't work for them, complaining to the franchisor together as a group about things they think we could do better or differently. Sharing government contacts or other important regional contacts that might be useful, etc." (Franchisor and franchisor team F)

7.3 GLOBAL SATISFACTION WITHIN THE CFW NETWORK

Finally, a few interviewees talked about their satisfaction with CFW. The employee in the franchised clinic was very satisfied. The same seems to apply to the franchisees, even though - as all franchisees in any network - they sometimes expect more services than are provided by the franchisors:

"I am fully satisfied [...]. Everything is well and I wish CFW continues [in] that spirit, especially those patients of low class." (Employee A)

"I like my job as a franchisee very much, very much." (Franchisee C)

"It's a diverse group and so I think, by and large, the franchisees are pleased to be part of the CFW network. They're pleased with the fact that we have a regional presence, that we visit them and that we can help them with regional specific matters and opportunities. They do often express desire for more free services from the franchisor. They'll look back ten years ago and say 'You used to pay for a marketing person who gave us free marketing brochures and campaigns and discount products. Why don't you do that anymore? We want that. We need to market our clinics better'. That's an example. Some of those requests we can fulfill in a low cost way. I think our staff have done a nice job of responding to franchisee needs on things like continuing education without simply paying for an enormous amount of education that no other nurse in Kenya would expect to get other than paying for herself. But other times, we cannot respond with exactly what the franchisees want and so they remain somewhat dissatisfied about things like marketing, like that example." (Franchisor and franchisor team F)

8 CFW NETWORK DEVELOPMENT

In this section, the focus is on the importance of CFW network development in terms of the means of communication to attract new franchisees, selection of franchisee candidates, location of CFW clinics and the process involved in opening clinics.

8.1 COMMUNICATION TO ATTRACT NEW FRANCHISEES

The team from headquarters explained to me, during the interviews, the means of communication used to attract new franchisees to the CFW network, highlighting the role of both word of mouth and advertising:

“Attracting new franchisees? There are various ways we do it. One, word of mouth by the existing franchisees. [...] We [also] have our advertisements in the regions where we work.” [...] (Franchisor and franchisor team B)

“Occasionally we do some advertisements. We post them in specific places like churches, schools and also in specific marketplaces [...]. Other [means of communication] is through word of mouth from our franchisees. People [...] patronize our clinics and maybe see the type of work we do there [...], who have had operations in the local community where they come from [...]. So we pass that method through the word of mouth.” (Franchisor and franchisor team A)

“Now that we have a network of franchisees and field staff, we often will have, like right now we’re just about to open a clinic whose owner is a friend of a current franchisee. The new woman wants to be a franchisee because her friend is one and she’s excited about it. There are other times when we have actually opened many outlets at once. We go out to a particular region and advertise within places where nurses would be seeing those advertisements, putting the word out so that we get a bunch of applications and can choose which franchisees make the most sense to accept. [...] The initial communication in an advertisement to someone that we’ve never met focuses on the idea of ‘Do you want to own your own medical clinic? Do you have certain qualifications and are you interested in owning your own medical clinic under a standard system that’s a franchise?’ [...] There’s such a lack of franchising in Kenya generally and none of them, almost no major international brand is there and almost no local brand has used franchising as a [...] distribution method. There’s very little exposure to the general Kenyan population to that idea or business model. But we do use that terminology and then fill it in as people get to know [...] what we’re talking about and what the deal is and they can understand that this is a certain way of licensing a brand

and system to them [so] both sides will have certain obligations and so on.” (Franchisor and franchisor team F)

8.2 SELECTION OF THE RIGHT PROFILE FOR NEW CFW FRANCHISEES

The team from the headquarters also detailed the selection process they use to choose the right franchisee profile, taking into consideration the backgrounds of franchisee candidates to fit with the legal constraints, their experience and competences:

“We follow the Ministry of Public Health’s guidelines, because they are our licensing authority. So we are committed that you have to have five years [...] clinic experience in order to be licensed to open a CFW clinic. You have to be somebody of a good moral [standing]. [...] We also [look at] entrepreneurial aspects, [...] not [necessarily] skills, but somebody who can learn a business. And also somebody who is not working. [...] We will require them to be in the clinic for forty hours in a week. That’s about more than five to eight hours in a day. And, of course, probably who doesn’t have any criminal record [...]. And also knowledgeable people [...]. So we have a questionnaire they fill when they come to have an interview. So from there, you can tell what is suitable or not suitable [...]. For the five years of experience, they could be employed in clinics, they could be operating their own clinics [...]. So that is the consideration: five years working somewhere.” (Franchisor and franchisor team A)

“The franchisee should either be a nurse or a clinical officer. A clinical officer in Kenya is someone who is trained to do minor surgery, in addition to the nursing aspect. But this is not a doctor. This is a person who has been trained at the diploma level, not a degree. Now, beyond that, they must have a minimum of five years working experience. And we also look at somebody who is integrated within the community. [...] They must be known there. They must be aware of the government hierarchy, the administration system there, because those are the key people used to market our clinic. [...] Then they bring their experience and their clinical management, as well as a written test that they sit for. Now, if you fail that [i.e., the test] then you don’t proceed beyond that.” (Franchisor and franchisor team B)

“Each franchised clinic is owned by a local person. The vast majority of them are owned by nurses. Some of them are owned by community health workers or clinical officers, which is sort of like one step down from a doctor.” (Franchisor and franchisor team F)

“Right now, we have two candidates pending. We have two people pending who wish to open a clinic with us here in [region]. The only problem is that they are not [experienced enough]. [...] You have

to have five years experience [for getting] the license [...]. That's one of the conditions that are given by the Ministry of Health. [...] The license allows you to operate in Kenya. [...] If you don't have it, we cannot fit you on board because we would be defrauding the rules of the Ministry of Health or our senior partner. [...] But they called me on Friday [...] so I think that next week, we will start the process." (Franchisor and franchisor team A)

8.3 LOCATION OF CFW CLINICS

The team from the headquarters shared with me the criteria used to locate new CFW clinics:

"In terms of location, of course the [environment] must be vibrant. [...] And also the shop must be accessed easily [...]. So those are some of things we look for. [...] We also look at the size of the community, [...] the number of people who will be coming, who will be patronizing our clinics. So maybe something like about ten thousand people living in that village. We also look at other amenities. If it is too close to maybe a government facility [or a CFW clinic], we advise them to have the location maybe five kilometers apart." (Franchisor and franchisor team A)

"[About specific criteria for the location of the clinics], yes, we do..., we have criteria where we score potential locations in terms of patient traffic and how much of a difference we think this would make in terms of access to health care. And we also only open clinics in areas where we have, where we have a support presence. If someone says 'Hey, I want to open a clinic in some other place that's 500 kilometers away' and we have no plans to open clinics there, that doesn't really work for us. We need them to be close enough to each other to deliver products and other things. So, yes, the site selection criteria..., the site is being prepared." (Franchisor and franchisor team F)

"[In terms of location of the new clinics], now, we limit ourselves to around the area that we are currently in operation such that we do not go to towns that are very far from our area of operation. We prefer to grow gradually before we go farther than where we are." (Franchisor and franchisor team B)

"The process of opening the clinic includes finding a site, which the franchisee seeks, and then seeking approval for it from us. Once the site is secured via a multi-year lease with the landlord, it's outfitted according to our standard specifications on how many rooms it has to have. These are the three-room really simple retail storefront outpatient clinics." (Franchisor and franchisor team F)

8.4 PROCESS FOR OPENING A CFW CLINIC

Two people from headquarters and a franchisee described the process involved in opening a CFW clinic, including the administrative aspects:

“When a franchisee signals that he or she is interested in owning a clinic, [...] one thing that the franchisor staff do is to stimulate such interest and reveal such interest by collecting documents to make sure that the person really is a legally registered nurse. For example, if it’s a nurse, by going through a process of judging whether this person would make a good franchisee based on experience, training, passion, financial situation, local connections, personality and a range of hard and soft criteria. Once the franchisee decides, once we decide the franchisee is suitable and the franchisee has reviewed the franchise agreement and basic deal terms and decides to become a franchisee, he or she signs the franchise agreement that I mentioned before and that starts a process of them opening their clinic.” (Franchisor and franchisor team F)

“What they normally do is that they apply to our office, to the headquarters. Then we tell them to bring their documents, their CV, then documents to show that [they have experience]. Then we invite them for an interview. [...] Then we submit those documents to the headquarters, if they are suitable. If they are not suitable, then we advise them accordingly. [...] Then if they qualify, we identify the location. Then we assist the new franchisees [with administrative aspects dealing with] the Ministry of Health in Kenya. [...] We assist in making sure that it is run according to our requirements [...]. After that, the administrators of Health, the officers are coming, because they have to come and inspect the premises to see if they are suitable and qualify [the franchisees]. Then, from there, we advise them on how to do the orders for the medicines. Then for us they also pay the initial fee, that is the commitment fee. The process now will start from there.” (Franchisor and franchisor team A)

“You have to have the documents so that you can operate. The license. The government license.” (Franchisee A)

“Once that is finished, then the furniture and inventory and so on are delivered to the franchisee. These are items that, by and large, historically, we have financed. The franchisors collected donor money and has given loans to franchisees on a five year term that enables them to have the furniture and inventory and fixtures and equipment that they need and they pay that back over five years.” (Franchisor and franchisor team F)

Other information was given about the duration of the contracts and royalties:

“[The franchise contract is for] five years. [...] It is renewable every five years [...]. Ninety percent [of the franchisees renew their contracts].” (Franchisor and franchisor team D)

“We do not currently charge royalties even though we’re driving around doing the things that I described and spending money on that. So, there are some changes in the future about the financial arrangement between the franchisor and franchisee. But that’s kind of a separate subject. [...] They pay back the loans that we have offered to them. They pay for all the inventory that they buy. And they pay a monthly flat, what we call an operations fee, to offset some of the distribution costs that we incur. But they do not pay royalties that [are] in proportion to the amount of expenses that the franchisee incurs for those various functions. (Franchisor and franchisor team F)

Moreover, access to the franchise agreement confirmed for me that all information is clearly detailed and specified, including particulars about fees and payments, franchisee obligations, CFW obligations, the restrictions on products and services, the conditions of renewal, termination, repurchase, modification and assignment of the agreement. Amendments to the franchise agreement, as well as exhibits such as furniture lease agreement forms and loan agreements, provide additional information.

9 CHALLENGES AND FUTURE PROSPECTS FOR CFW

The section covers the challenges and perspectives for CFW on both franchisee and network levels.

9.1 CHALLENGES AND PERSPECTIVES FOR CFW FRANCHISEES

Some challenges to be overcome by franchisees were mentioned during the interviews. These mainly deal with time management and financial aspects:

“For the franchisees, there are a lot of challenges.” (Franchisor and franchisor team A)

“The other challenge is outside my work, whereby as a mother, as a parent, you need to really work hard to get money [...] for your children [...] [and] maintain the clinic. So we have [had] some ups and downs within the year. [...] I work six days a week. So I only have Friday to rest [...]. As a mother, it’s a really [a] big challenge [...]. I cannot close down the clinic just to go do other things outside. Or if I have to close up, if I have to move out of the clinic, I need to call in somebody for the lockup. [...]. So if I get out of the clinic, [I] have to call in somebody to cover [...].” (Franchisee C)

“When there is money, we are ok. [...] I mean, when the clients have money, they usually come and they have something. Otherwise, [...] [when] the quality [i.e., the turnover] is not good [...], we don’t have much [money].” (Franchisee D)

“Some of the problems in the past [were dealing with] debt management [...] and financial management. In Kenya, we believe you only trust your own pocket. [But] initially, we haven’t [had many problems with disputes].” (Franchisor and franchisor team D)

Several franchisees also shared with me their perspectives, plans or expectations for the future:

“I would like to do it. I would like to have another employee. To have an employee who could help us, help me [...].” (Franchisee D)

“I need somebody to assist me in providing [...] new services, if you can get some way...” (Franchisee E)

“My plan is... Right now, I’m in a rental house. I want to have my own plot. Get a plot so that I can construct a building to have my own clinic, my own house. Where I can run my clinic. That’s one. Two. I might increase the services [...]. Those are my plans. [...] CFW will help me.” (Franchisee E)

9.2 CHALLENGES AND PERSPECTIVES FOR CFW HEADQUARTERS

Several challenges to be faced by CFW headquarters were brought up during the interviews. They mainly deal with the need for more franchisee training, a greater commitment from the franchisees and more sustainability through royalties and other sources of revenues:

“Training for the franchisees. [...] [About] issues in the health system, we should call them and bring them together. And give insights into how they would handle new [protocols] and these kinds of things. [...]” (Franchisor and franchisor team A)

“Then, in terms of recruitment, we have a challenge. I think, one of the challenges I see, [...] we want commitment [from people] to work full time in those clinics. (Franchisor and franchisor team A)

“There’s always [a] sort of micro level operational improvement that can be made. Just to give an example, our supplier of hygiene products only sells over the counter products in quantities that sometimes are too big for franchisees. They don’t want to buy twenty of such and such an item. They want to buy three. But buying three is not cost effective to deliver to them, so that kind of thing we’re always looking at. How can we have franchisees source over the counter products more locally? Could we have one of our clinics that’s closer to them act as a resale point? Should we be discontinuing having these products at all, because it’s a waste of time and nobody makes enough money on it? Are there other products that would be higher margin that they would be more inclined to stock at higher levels, and so on? So that’s the typical kind of operational improvement that we’re always looking at. But more broadly, we’ve noticed that because of the way we’ve set up CFW, which is the way that I’ve described on the call so far, [...] we’ve enabled ourselves to stay serving the base in the economic pyramid and still be an actual business. And so that’s different than a lot of other groups in health care, some of which either don’t serve the base of the pyramid, they simply don’t see enough revenue there so they put up clinics or hospitals and pharmacies in a more wealthy area like Nairobi or they do serve the base of the pyramid, but they do it, for example, through a church funded charitable clinic that’s just a one off, really nice clinic where the inputs are paid for by donors from a church in the US or whatever. Both of those categories are groups we’re very supportive of and we’re glad that there are private health care facilities profitably serving patients in Nairobi and that there are well-run mission facilities serving patients in rural Kenya. Both of those groups are totally in line with our own mission to provide access to health care. But from the point of view of really getting close to the root of these problems with health care access, we don’t think that either of those methods in the long term will prove to serve the

masses of population in Kenya and elsewhere in Sub-Saharan Africa that make only a dollar or two a day. And so, even though we've succeeded at staying at the base of the pyramid through the system I've described, we still see that it has some serious constraints, especially in terms of scaling to a lot of more locations, CFW locations. One main issue with that is that because of the way we subsidize our franchisees. Currently, as I said, they run their own businesses as businesses that they own and operate and they keep the profits, but we pay their clinical licenses. They don't pay royalties and so when someone gets involved with us and says, 'I'm singling my interest that I would like to have ten or twenty of these clinics in some region of Kenya', which is something that almost every successful commercial franchise... both commercial unit franchisee or master franchisee or an area developer or some other, a company that takes on a whole country, these kinds of things, we don't have a profitable path to respond with to interests like that. We can respond to a single franchisee wanting to open a single clinic. And we can spend donor money supporting that clinic and they can serve people. But we don't have a way of saying, 'Yes, you can start a whole bunch of clinics'. And so that's a serious problem for us in scaling. The only way that we figured out how to solve that or address that is to become an actual commercial franchise company where we reroute any subsidies that we currently put in play in the system so that instead of paying for inputs, instead of paying for licenses and services that are giving kind to franchisees without reimbursement, we won't do that and instead we'll change the revenue picture for franchisees by introducing new possibilities of revenue for serving lowest income customers. And so effectively the purchasing power of patients way in the base of the pyramid that now will not sustain a profitable franchise company, even though they will sustain a somewhat subsidized clinic, that revenue will be added to the possible revenue franchisees can earn by serving patients. So here's this purchasing power that now is higher and that's our strategic priority right now... [I]n installing the administrative technology we need to administer some subsidies, collecting a pool of such subsidies and figuring out how to qualify patients as lowest income patients and change the franchise agreement in ways that will be necessary, as well as tie CFW clinics with emergent schemes that are not our own subsidy schemes but that are other pairs emerging in these markets, which differs a lot from country to country. But there's some good possibilities emerging in Kenya. [...] If a franchisee in [location in Kenya] serves someone who only earns a dollar a day, how do we know that? How does the franchisee know to charge the person less than the full price of care? How does the franchisee charge the subsidy pool back to say, 'I treated this patient for malaria on March 31, 2016. I just entered these drugs, the patient only paid 100 shillings, the cost of service is 500 shillings, give me the other 400 shillings'? So we need a way for

franchisees to produce claims documentation and submit it for those claims to be administered and this all has to be extremely efficient because the claims will only be one or two or three or four dollars.” (Franchisor and franchisor team F)

“For strategic plans, we are looking at sustainability of the units.” (Franchisor and franchisor team D)

These challenges seem clear for the team at CFW headquarters and their analysis of the situation has led them to develop new perspectives and plans for the CFW network as described below:

“Because we have failed to scale the CFW network in Kenya for so long, even while we’ve had these other successes outside of Kenya, and in Kenya we’ve made a lot of progress, operationally and budget-wise and in other ways, we now are undergoing a restructuring in Kenya, where we’re going to replace the non-profit franchisor. Instead of that being the vehicle of growth for CFW, we have opened a new for-profit company in Kenya that will be funded by investor capital. Social risk-tolerant investor capital and the objective of that company will be to open hundreds of CFW clinics over the next 10 years under a slightly different model and [integrate] some of these lessons that I mentioned on how we route subsidies and how we deal with lowest income customers and what the deal in terms of the franchise... franchisor/franchisee relationship is and whether we can have territory specific developers - all those issues that I mentioned in this call. We are pursuing more effective ways of operating through this new company.” (Franchisor and franchisor team F)

“So our plan for the network is basically to expand [...], and in the next coming years through approaching a different model. What [Name 1] and [Name 2] have been describing basically is the traditional model of sustainable health care foundation. But beginning next year, early next year, we have founded a new company, Healthstore East Africa that we use as a vehicle for growth [...]. And so, this is a for-profit making. [...] We will start demanding royalties [...] directly to the franchisees [...]. [For the moment], we don’t ask any money except the operational fee of 1,500 for the clinics and 500 for the shops. [The reasons to change the model are] first and foremost sustainability, but the current setup of sustainability means we are still continuing to operate the same way they have been doing for the last years. But with the new model, the franchises that we are going to incorporate will be new. [...] What we imagine starting doing is adding an addendum to the contract [about the royalties to be paid in the context of contract renewal]. Definitely it will be complicated because this is something they have not done in the last 15 years. [...] [We will] make sure they are well understood. [...] Currently, the existing

clinics pay an operations fee [...] for expenses incurred and basically the operational costs. This is monthly. [...] The marketing will change because with the two percent advertising, then everything will have to change. The franchisor will have to do more for the franchisees." (Franchisor and franchisor team C)

10 RECOMMENDATIONS FOR CFW

In this section, I have formulated a series of recommendations to be considered by CFW. They emerge directly from the comments of the people interviewed or from the content analysis of the 19 interviews. They mainly deal with CFW organizational know-how, CFW brand image, relationships within the CFW network, the CFW concept and CFW customers.

10.1 VALORIZING CFW ORGANIZATIONAL KNOW-HOW

In addition to the know-how that has been implemented and codified by CFW before being transferred to the franchisees, CFW has important organizational know-how at the headquarters' level. Specifically, I refer to the codification of the business know-how, franchisee training, the audit of the clinics and the supply of medicines. Another example of relevant organizational know-how of CFW is the CFW Outlets Compliance Code that is "a code for the Field Officers on how to handle non-compliant CFW franchisees. It defines contraventions of specific CFW franchise standards so as to clarify the relevant steps an officer should take." It would be appropriate to proceed to a detailed audit of all this organizational know-how and valorize it:

- internally from the perspective of continuous improvement of the practices
- externally with the franchisees to remind them about the expertise they indirectly benefit from
- externally with franchisee candidates to encourage them to join the network

10.2 REINFORCING THE CFW BRAND IMAGE

The CFW brand image could be reinforced through implementing different actions such as:

- the continuation and reinforcement of outreach activities, e.g., in schools, local communities and churches to favor the word of mouth effect and generate more traffic to the CFW clinics
- an increase of communication and advertising of the CFW brand in the communities. The interviewed customers seemed to be committed to the franchisees themselves, their welcome, their competences, their counseling, before being committed to the CFW brand. Customer B talked about the franchisee as her "mother," and the clinic as her "home." Customer C mentioned that the clinic is "like her family." The commitment to the CFW brand could be progressively reinforced to underline the quality of the health care and medicines. Flyers for advertising local clinics could include some information on the CFW network

- the insertion of the CFW logo and graphic charts on all internal documents, e.g., the CFW Outlets Compliance Guide

10.3 MAINTAINING CLOSE RELATIONSHIPS WITHIN THE NETWORK

Relationships within the CFW network should be maintained and perhaps intensified because interviewed franchisees and the employee seem to appreciate sharing advice, ideas, best practices with the headquarters' team, for instance, during field officer visits or among themselves during meetings. Franchisee C compared her clinic and the CFW network as "a family." Employee A who "feel[s] his future in CFW" mentioned the "need to improve relationships [...] and the need to know each other." Strengthening relationships is a way to underline the CFW assistance provided to the franchisees, reinforce the CFW culture around its values and make the adhesion of the franchisees to the new CFW development plan easier.

10.4 CONSIDERING THE EVOLUTION OF THE CFW CONCEPT

In terms of evolution of the CFW concept, it appeared during the interviews that there was an interest in expanding the services offered by the CFW clinics, as well as opening hours of the clinics.

10.4.1 EXPANSION OF SERVICES OFFERED BY CFW CLINICS

According to CFW customers, services and facilities provided by the CFW clinics could be expanded. Interviewees mentioned specifically vans, deliveries, laboratories as well as adding wards for in-patient care. On the one hand, this would be a way to better meet customers' demands, and, on the other hand, a way for the franchisees to develop their activities and then make more money:

"Yes, I think one other thing perhaps that could be done here would be, you know, sometimes it is good to have [...] a van. If they have an ambulance when there are very ill patients, they could rush the patients to a city hospital or a government hospital. But right now, you know, [you have] to hire a vehicle [...]. Something like a van. A small van, a small van." (Prescriber A)

"I think the best that could be done there is to expand the facility there. For example, they don't have a ward. When they get patients, they just treat out-patients. [They could] have at least one or two wards to accommodate these patients. I think that would help quite a lot. So far, it's mainly out-patients treatment. [...] Yes, to expand the facilities at least to include in-patients. Because sometimes they get very sick in-patients and they have to recommend them to government clinics." (Prescriber A)

"The laboratory helps us so much, if we have." (Franchisee D)

“Another thing is about... We don’t do delivery. Sometimes I get patients want deliver [their babies] but because they don’t have enough equipment [...]. But after delivery, they usually come for immunization for the children.” (Employee A)

10.4.2 OPENING HOURS OF THE CFW CLINICS

Two customers who would like 24H/24 service also suggested expanding the opening hours of the clinics:

“If the CFW clinics would open 24 hours a day, it would really, really, really solve the problems because from a district hospital where you can get treatment at night, it’s [far] away. So if someone has a problem at night it becomes [difficult]. So I would actually recommend that if there was possibility of [having] the CFW clinic [opened] 24 hours a day... [...] CFW clinics play very good roles in this community. But now the challenge is, you see... people [don’t] just get sick during the day. [...] People get sick at night [as well]. [...]. If they can open 24 hours, that would be [good]. My recommendation [is for it to be opened] 24 hours.” (Customer A)

“They close their clinic at six thirty [...]. So they could be able to [extend their opening hours to serve] their patients even at night. It would be nice.” (Customer C)

The associated issue would be the cost associated with expanded opening hours.

10.5 BETTER ASSESSING CUSTOMER NEEDS AND EXPECTATIONS

In addition to this exploratory qualitative study, a questionnaire-based survey given to customers would be very useful in order to assess customers’ needs, expectations and also satisfaction.

“Generally, we have not done that [i.e., a survey on customer satisfaction]. [...] We do some surveys of customers and community members to find out who they are and what assets they have and get a sense of the spectrum of community wealth and where do they currently subscribe to government insurance. [...] But we don’t have exit surveys asking customers whether they were satisfied with the service they received at CFW and I think that would be a good idea, especially in these days. We could administer that by phone even if we wanted to.” (Franchisor and franchisor team F)

11 ACKNOWLEDGEMENTS

I remember my first meeting with Julie McBride and Scott Hillstrom at the International Franchise Expo in New York City in June 2014. Our discussion was so rich and acted as a source of tracks for research to be conducted. I decided to contact Scott in late summer 2015 to ask him for authorization to conduct research on CFW. I really appreciated his enthusiasm, his explanations and his support during our Skype discussion. I am really thankful to Scott, Greg and Lauren who made this research possible by opening the doors of CFW and sharing with me internal documents, their time and contacts.

I also would like to express my thanks to the executives and managers at the Nairobi headquarters who answered my questions and made the contacts with franchisees possible.

I sincerely thank all the people - those from CFW headquarters in the US and Kenya, franchisees, the employee of a CFW franchised clinic, customers and the prescriber - who shared time with me for this series of interviews. The information they provided me with was very useful for me to understand and assess CFW activities and operations, the CFW franchise business model and CFW challenges and perspectives.

I greatly appreciated all these discussions, the commitment of many people who put me in contact with others, e.g., the franchisees who sent me contact details of customers by SMS.

I also acknowledge the support of Charline Bernier - project manager at the Center in Franchising, Retail & Service Chains - and Dr. Guy Basset - associate professor at the Graduate School of Management and researcher at the Center in Franchising, Retail & Service Chains - who read this report and gave me some useful feedback, as well as Dr. Helen Bailie who checked and improved my English.

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