

**The IDEAS Advantage:
IDEAS' Microfranchising
Consulting is based on 35 years
of experience**

- Those who want to be microfranchisors are able to take advantage of the experience offered by the members of our team in developing MFIs, companies, and organizations that are both successful and financially sustainable.
- Our organizational consulting and strategic planning techniques can help the microfranchisor be more successful sooner
- IDEAS' experience developing tools, implementing impact evaluation, and measuring social performance can determine changes in the microenterprise, changes in the microfranchisee, and benefits to the microfranchisee's family and community.
- The evaluation of a microfranchise and its ability to develop in the national context is based on the teachings of IDEAS on market research in over 20 countries. IDEAS assists MFIs and others interested in developing microenterprises.
- To design and implement quality programs, evaluations are needed. IDEAS has trained over 1500 microfinance practitioners on four continents on how to use quantitative and qualitative tools for evaluation.
- IDEAS also provides trainings on the differences between a microfranchise and a traditional franchise.

IDEAS' recent activities:

- ♦ A course at the American University in Nicaragua (UAM) for the Masters in Microfinance
- ♦ A presentation at the Regional Conference on Microfinance REDCAMIF
- ♦ A study on the potential for microfranchising in Nicaragua for UAM and the Chamber of Commerce, paid for by BID/FOMIN
- ♦ Conference for the National Commission for Micro and Small Enterprises (CONAMYPE) in El Salvador

IDEAS has worked with development agencies and MFIs in Latin America, the Caribbean, Africa, Asia, and North America and is well known for providing high-quality training and consulting services.



**Institute for Development,
Evaluation, Assistance, and
Solutions**

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**IDEAS: 35 YEARS OF
SUCCESS IN
BUSINESS
DEVELOPMENT AND
MICROFINANCE**



**Microfranchising is an
innovative way of
developing
microenterprises that
grow quickly**



Foto: Presentación de Magleby en Reunión BID-FOMIN 2009

What is a microfranchise?

A microfranchise is a proven business with established operations and marketing strategies that can be easily replicated by a microentrepreneur with the technical assistance of a microfranchisor.

How do you help a microenterprise grow faster?

A microfranchisee is a small businessman/woman who gets technical support and advice to make his/her business grow much more quickly and systematically. This helps the microfranchisee to:

- Make the transition from a subsistence business to a formal business
- Not only generate more income but also to create employment opportunities for people outside of the family
- Gradually grow to become a more solid and formal business

This constant and consistent growth appeals to both the microfranchisee and the microfinance institution.

Why is it less risky for financial institutions to lend to microfranchisees?

It makes the financing easier to analyze because it is the same business model being repeated in different places with different microentrepreneurs.

The microfranchisor provides advice, training, and cheaper products to his/her microfranchisees, which in turn enables both of them to earn more money.

Microfranchise System

The **Microfranchisor** is the owner of the **microfranchise**, a microenterprise that has been proven and systematized. The business is being repeated in many places by independent microentrepreneurs.

The Microfranchisor provides:

- ◆ A proven business plan
- ◆ The brand, marketing and publicity
- ◆ Low-cost products or services on economies of scale
- ◆ Training and ongoing technical assistance
- ◆ New products or innovative services

The microfranchisee provides commissions and useful experiences/advice to the microfranchisor.

The **Microfranchisee** is a microentrepreneur that learns how to operate the business and how to grow the business more quickly due to the advantages of being part of a microfranchise.

Microfinance institutions benefit from having more solid and profitable businesses that can borrow more at lower risk. Additionally, the microfranchisee has the opportunity to save.

What are the potential benefits for the different actors?

- The **new microfranchisees** will quickly learn how to operate a proven business and make it grow.
- Other **microentrepreneurs** may want to convert their current microenterprises into microfranchises to obtain the benefits that are only available as part of a **microfranchise**.
- **The microfranchisors** will incur fewer costs, will be able to expand faster, and will be able to concentrate more on training, quality control, and strategic planning.
- **NGOs and government agencies** that are dedicated to business development find that microfranchising facilitates their work.
- **Product suppliers** will be able to distribute their products and services with greater efficiency and greater effectiveness.
- Because microfranchises are able to grow more quickly than traditional microenterprises, **finance institutions** will grow their client base more quickly and be able to lend more as well. The business model of a microfranchise also lends itself well to a system that values saving.

Services IDEAS offers to help develop microfranchises:

- Building staff capacity and educating your board of directors, allowing you to launch or purchase a license for a microfranchise
- Guiding you through the offerings of international microfranchises and identifying opportunities for the introduction of proven operational concepts
- Help identifying the types of businesses that lend themselves best to the microfranchise model
- Providing technical assistance to NGOs and other organizations interested in developing a business concept for a microfranchise based on their own market research
- Examining trade restrictions and other legislation that may affect microfranchising in your country and region
- Training microfranchisors, staff, and product suppliers