The Communication of Value Proposition: Case Studies on Franchise Business Model

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ABSTRACT

Business model is the core logic of value creation through building, utilizing and integrating different resources. The essence of business model is not only to provide higher value for target customers compared to competitors, but also clearly indicate the possible value for all potential participants. Therefore, the concept of value proposition is especially emphasized in the discussion of business model. Although, in previous related researches, the components of a value proposition have been analyzed, in terms of practical communication process, the information of a value proposition still needs to be organized and presented in order to attract either customers’ or participants’ attention. This study focuses on franchise business model and analyzes the oral presentation content of a new franchisor in the setting of a meeting with potential franchisees. Through detailed content analysis, we conclude a couple of important methods facilitating effective communication and develop a framework for organizing value proposition information. The main contribution of this study is to provide franchisors an initial guide in communicating their value propositions from a practical perspective.

Keywords: value proposition, communication process, franchise business model

INTRODUCTION

Since e-commerce platform appeared in the mid-90s, business model turned into a term in enterprises and prevailed that attracted academia’s attention. Enterprises create and use business models to make profits by offering customers with better value than their competitors (Afuah & Tucci, 2001). Business model that describes the value offered by enterprises to make profits and retain the revenue is closely linked to organization structure, market making, value delivery and partner networks (Osterwalder & Pigneur, 2010). In general, business model is the core logic for enterprises to create and use resource for value creation, in order to provide customers with superior value to their competitors as well as depict the participating interests that all participants may have and the methods for making profits (Afuah, 2004; Afuah & Tucci, 2001; Amit & Zott, 2001; Shafer, Smith, & Kinder, 2005; Timmers, 1998).

Many scholars give different opinions on components and functions of business model, but value proposition is always of vital importance in the discussion. Linder and Cantrell concluded that business model components range from revenue models and value propositions to organization structures and arrangement of trading relationships (Linder & Cantrell, 2001). Osterwalder and Pigneur (2010) also proposed a framework of business model containing value proposition, customer segments, channels, customer relationships, key resources and activities, key partners, cost structure and revenue streams. Meanwhile, business model covers six functions which are to: identify a market segment, articulate the value proposition, clarify the structure of the value chain, specify the revenue generation mechanisms, describe the position of the firm within the value network and systematically formulate the competitive
strategies (Chesbrough & Rosenbloom, 2002). Therefore, by proposing value created for customers, enterprises are able to establish their value positioning. However, studies on value proposition mostly emphasized description of its definition and components rather than discussed the process of its communication and delivery.

However, enterprises are bound to encounter challenges when communicating value proposition with stakeholders in the early stage of starting a new business. It is hard for an entrepreneur to get funding from banks or investors especially if the new business is unique and innovative that would have problems caused by lack of legitimacy or external recognition (Aldrich & Fiol, 1994). In addition, new products or services are also unfamiliar to consumers. Hence, communicating value proposition in the early stage of a new business is very important that increases the market acceptance. Nevertheless, to effectively communicate value proposition, entrepreneurs have to explain, rationalize and promote their new businesses to reduce uncertainty (Aldrich & Fiol, 1994). In other words, they have to clearly convey their value proposition to stakeholders for their recognition. Thus, when the messages of the value proposition are well organized and comprehensive delivered, the legitimacy of new business can be established that increases entrepreneurs’ chance of acquiring resources and increasing sales (Lounsbury & Glynn, 2001).

According to the above, business model is actually a method for doing business while value proposition is one of the key elements (Magretta, 2002). Whether the value created by an enterprise is effectively delivered will directly affect the business performance. Particularly, it is more important to be recognized by stakeholders in the early stage of a new business. The study takes franchise business model as an example to analyze value proposition. According to the data, there are more than 2,000 chain brands in Taiwan. The density of chain headquarters ranks first in the world. There are more than 110 industries, over 100,000 stores and more than 1 million personnel with annual output of over 1 trillion dollars in Taiwan. For chain headquarters, franchise business model expands their business landscape, increases market share and maximizes the benefit of economies of scale. With assistance from chain headquarters through standardized, professional and effective guidance, a franchisee not only decreases the cost and the risk of starting his own business, but is able to make profits. However, in franchise business model, a franchisee would like to join one franchise system because he recognizes the value proposition delivered by the franchisor.

LITERATURE REVIEW

Definition of Value Proposition

Value creation and delivery for customers have long drawn attention of many management scholars. By discovering customer needs, enterprises create value with specific capability and inimitable resources (Tuomine, 2004). In contrast to different products or services, what customers actually need is different values on which enterprises are based to innovate new business processes or technologies accordingly. When they are able to identify and understand customer need and satisfy it with lower cost, or create value in a unique way, they make profits. As enterprises can create value for customers, they possess a competitive advantage and sustainable competitive position in their industry (Porter, 1985).

Concerning the definition of value proposition, Timmers (1998) is the first to emphasize a customer-oriented value proposition for e-commerce field and later the concept is widely used by the different industries (Anderson, Narus, & Rossum, 2006; Johnson, 2010). Scholars successively explain the customer-oriented value proposition and define value proposition as a unique value offered by an organization to customers that has to build up an effective and logical connection between activity and
profit (Johnson, 2010; Osterwalder & Pigneur, 2010). Band described value proposition correlates products supplied by enterprises with products purchased by customers (Band, 2000). The correlation is based on how enterprises satisfy customer needs. Bovet, Martha and Kramer (2000) pointed out that value proposition indicates benefits provided by enterprises through products or services to target customers.

Value proposition is an effective concept that drives the integration of different aspects (Perrey, Johnston, Lycett & Paul, 2004). Due to the factors such as the cultural background of each company, target markets, core competence and vision, value proposition varies accordingly and customers evaluate value proposition on the basis of the possible benefits they could receive from the business. In business-to-business (B2B) situation, value proposition demonstrates corporate behaviors as well as enables various types of communication leading to many opportunities of cooperation among enterprises, creating better products or services through intangible integration and flexible use of limited resources (Perrey et al., 2004). Value proposition enables customers to understand aggregate value to be obtained prior to purchase of products or services, so advantageous strategies can be designed to give specific benefits to customers and also enhance their repurchase of products or services (Solomon, Marshall & Stuart, 2006). In sum, value proposition is the value created and offered by an enterprise to target customers (Osterwalder, Pigneur, Bernarda & Smith, 2014).

Components of Value Proposition

Value proposition describes the bundle of products and services that create value for a specific customer segment. In this sense, value proposition is an aggregation, or bundle, or benefits that a company offers customers (Osterwalder & Pigneur, 2010). Value proposition is also an offering that helps customers more effectively, reliably, conveniently, or affordably solve an important problem (or satisfy a job-to-be-done) at a given price (Johnson, 2010; Osterwalder et al., 2014). Therefore, Value proposition statement can be seen as the articulation of the measurable value of the experience that an organization or individual will get from an offering (Barnes, Blake & Pinder, 2009).

In other words, value proposition statement basically consists of two main components: job-to-be-done (JTBD) – an important, unsatisfied customer problem; offering – a focused product or service (or combination) to solve that problem at a given price, including what is sold and how it is sold (Johnson, 2010). Since value can also be analyzed by benefit-cost ratio, a value proposition broadly includes three components: capability – what can do for a customer; impact – how that will help the customer to succeed; cost – what the customer must pay for the privilege (Barnes et al., 2009).

From the perspective of creating value proposition, there are six steps as follows: (a) Market: the specific group of customers you are targeting; (b) Value experience: benefits minus cost, as perceived by customers; (c) Offerings: the product/service mix you are selling; (d) Benefits: how your offering delivers clear customer value; (e) Alternatives and differentiation: how you are different from and better than the alternatives (f) Proof: Substantiated credibility and believability of your offering. The step (a), (b) and (c) represent the process of breaking down and analyzing the background to and structure of an offering. With the complete analysis and understanding, the step (d), (e) and (f) represent the process of building up a well-founded and compelling value proposition (Barnes et al., 2009).

Dimensions of Communication Content Analysis

As to communication content, it refers to the message expressed in a way of language communication (Larson, 1989). In the coming paragraphs, communication content will be analyzed from two dimensions, that is, narration of communication content and organization of communication content.
In terms of narration, communication logic based on rational reasoning (Larson, 1989) and communication skills based on heuristic inspiration (Cialdini, 2001) are both included. On the other hand, in terms of organization, organizing structure of communication content is discussed (Chen, 2004; Haugtvedt & Wegener, 1994).

(1) Narration of Communication Content

The message content is composed of the concepts that a message sender would like to deliver. However, in order to make it persuasive, some concepts need to be expressed by rational logic, which is the so-called communication logic. There are four ways of reasoning commonly used in communication logic, including deductive reasoning, inductive reasoning, causal reasoning, and analogy reasoning (Chen, 2004; Larson, 1989; Martel, 1989). Then, the reasoning methods are briefly stated in following. First, deductive reasoning starts from a proved hypothesis, and then compares the discussion with the hypothesis to derive a corresponding concept. Second, inductive reasoning based on some evidences, including certain facts and figures, concludes a reasonable concept. The reliability and relativity of the evidences will influence the effectiveness of judgment. Third, causal reasoning put things in a certain cause-effect relationship. If one thing is identified as a cause, the corresponding effect will be derived. On the contrary, if one thing is found as the effect, a possible cause will be also inferred. Forth, analogy reasoning helps to compare one discussed thing with another. Because of the similarity between them, the discussed thing will have similar characteristics or concepts.

In addition to communication logic, under given message content and circumstance, the message sender can properly use communication skills, including rhetoric or specific narration techniques, in order to activate the message receivers’ subconscious and increase their response. In rhetoric, repetition, contrast, inquiry, and metaphor are used as communication skills to strengthen the communication effects (Harvard Business Essentials, 2005; Larson, 1989). Among them, repetition refers to stating similar messages continually; contrast stresses the opposite cases to emphasize the differences; inquiry means questioning the message receivers; metaphor means describing the content into other things by imagination. In terms of narration techniques, time-pressure, reliability, and secret-sharing are used as communication skills to enhance the communication effects (Hogan, 1996). Time-pressure means setting limited time for decision-making, and it makes the message receivers feel pressure and facilitates the change of their attitude. Reliability means telling the message receivers the things they believe in order to enhance trust, such as confessing the potential problems and drawbacks. Secret-sharing means describing the message as a secret and sharing with some message receivers to enhance trust and reciprocity.

(2) Organization of Communication Content

When organizing communication content, the expressing order of the messages is also one of the major considerations (Chen, 2004; Haugtvedt & Wegener, 1994). Generally, if the messages are sorted by the importance of content, the message sender can choose to organize the most important message in the beginning and other secondary messages follow behind. It makes the message receivers accept the first message as given, which is the so-called primacy effect. On the other hand, the message sender could also choose to start from other secondary messages and organize the most important message in the end as a conclusion. It makes the message receivers have strong impression on the last message, which is the so-called recency effect.

Basically the communication content is composed of five parts (Chen, 2004; Harvard Business Essentials, 2005). They are introduction, narrative, argument, refutation and conclusion. First, introduction helps to draw message receivers’ attention, strengthens their motivation to listen, makes them understand the purpose, and win their favorable impression in the first place. Narrative means describing
the history or context by the way of storytelling, so that the message receivers can have deep understanding about current issue. Argument is the main thoughts and viewpoints that a message sender wants to deliver. It is also the core of communication content. Refutation is about resolving message receiver’s doubts by interpreting and clarifying the opposite opinions. Conclusion points out the expected way that message receiver should decide or consider.

RESEARCH METHOD

The data of this study come from a meeting by completely recording the oral presentation of a new franchisor when he presented to the potential franchisees and then the record is typed into verbatim transcript for analysis. According to content analysis, this study takes theme or paragraph as the analysis unit and identifies the meanings of “what to say” and “how to say” from the presentation content of entrepreneurs (Neuendorf, 2002; Weber, 1990). Next, categories are built by referring to the relevant factors of the evaluation criteria and business plans. Throughout the content analysis process, comparison and correction are done to ensure the consistency of categorization. At the same time, in order to improve the objectivity of categorization, other personnel participate in content analysis in parallel and cross-comparison is followed. Finally, the conclusion can be made from explaining the results of categorization in terms of narration and organization of communication content.

Besides considering the franchisor’s will and the convenience of data collecting, we choose the franchise business model in startup stage. The reason is that although the business at that time has basic product prototypes and some partnerships, it still lacks of enough revenue and market-proven facts. Thus, this business is not only in a difficulty of fund shortage, but the franchisor also need to deliberately prepare and organize presentation content to interest potential franchisees under the condition of limited solid performance. Compared to the business in expansion stage, the new venture in startup stage faces more challenge in communication, and is more suitable for analysis. Consequently, this research chooses Company A, which started trying to build a franchise business model to promote a new vending machine system in Taiwan, as the object for study in this research.

COMMUNICATION CONTENT ANALYSIS

Narration of Communication Content: Communication Logic

(1) Use “Existing Value Gap” to reason “Value Positioning”

In the content of oral presentation, the franchisor would explain the existing value gap of the current business models (as the solid lines shown in code A7 below) in order to conclude the value positioning of the new business model (as the dotted line shown in code A7 below).

[A7] Dedicated staff is required for counters in department store or direct selling. With regard to convenience, products are not readily available to consumers. Even if purchased, the price generally does not come up to expectations of consumers. Either TV shopping or online shopping has two issues to be overcome. First, whether product will be received after payment is made; also, whether the product received is the one you want. Second, consumers have to wait for product arrival. On the contrary, channels such as Cosmed and Watsons meet best the requirement of consumers regarding convenience and price. Over the past five years, their business performances continue to grow. Under the circumstances, we believe still there is room for our development.
(2) Use “High Development Cost” to reason “Reasonable Price”

In the content of oral presentation, the franchisor would emphasize the high development cost of the system (as the solid lines shown in code A21 and A25 below) in order to imply that the price is reasonable (as the dotted lines shown in code A21 and A25 below).

【A21】 One machine costs you $320,000 dollars, whose parts originate only from Taiwan, Japan and Germany. It is higher in quality than vending machines we see on the road, so what we built is a precise machine system. To tell the truth, it cost us at least $200,000 dollars to buy a single machine. Software development for introduction of system, setup of payment flow and acoustic control, etc. costs millions, and we share such project with our franchisees.

【A25】 Our machine is equipped with all these facilities. That is why we would rather spend $80,000 dollars to buy the machine back from you after the franchise agreement is terminated. The system-installed machine costs $800,000 dollars approximately.

(3) Use “Sales Experience” to reason “Market Opportunity”

In the content of oral presentation, the franchisor would emphasize successful sales experience (as the solid lines shown in code A26 below) in order to suggest the possible market opportunities (as the dotted lines shown in code A26 below).

【A26】 Stationery and commodities preferable to young people are best sellers on campus in central Taiwan. Problems on automatic vending machines had been reported every day. It was known that the machines are filled up with bills, so those franchisees had to get back the money 1-2 times a day. This indicates it is marketable.

(4) Use “Overseas Market Growth” to reason “Market Potential”

In the content of oral presentation, the franchisor would emphasize overseas market growth (as the solid lines shown in code A28 below), in order to suggest the possible market potential (as the dotted lines shown in code A28 below).

【A28】 There are 5.58 million automatic vending machines throughout Japan. This information is available online. An average of 22 people is served by one automatic vending machine. How about Taiwan? We believe there is infinite potential.

(5) Use “Existing Market Saturation” to reason “Market Potential”

In the content of oral presentation, the franchisor would emphasize existing market saturation (as the solid lines shown in code A29 below), in order to suggest the possible market potential (as the dotted lines shown in code A29 below).

【A29】 If you ask where the best location is to open a convenience store, I do not know how to answer the question as the market is saturated. By contrast, if you ask where to set a vending machine, I can give you the answer instantly. You can set a vending machine wherever you like.

Narration of Communication Content: Communication Skills

(1) Use “Comparison” to emphasize “Uniqueness”

In the content of oral presentation, the franchisor would make a comparison between current business models or competitive products and the ones developed by the new venture (as the solid lines shown in code A7, A18, A23 and A29 below) to emphasize the uniqueness of its values or product features.

【A7】 Dedicated staff is required for counters in department store or direct selling…Either TV shopping or online shopping has two issues to be overcome…On the contrary, channels such as Cosmed and Watsons meet best the requirement of consumers regarding convenience and price.
...it is known that six staff is required to run a 24-hour convenience store. We have tested the maximum productivity of automatic vending machine and found one adept staff could manage 30 vending machines. This shows 180 times of difference.

We will establish e-pos system for our franchisees to keep track of stock and revenue. You will no longer encounter the problem in using traditional vending machine. That is, when you carry boxes to where the vending machine is, you may: first, have to go back again to bring more stuff; second, bring back the surplus.

If you ask where the best location is to open a convenience store, I do not know how to answer the question as the market is saturated. By contrast, if you ask where to set a vending machine, I can give you the answer instantly. You can set a vending machine wherever you like.

(2) Use “Citation” to increase “Authority”

In the content of oral presentation, the franchisor would cite cooperative relationships with specific public sectors (as the solid lines shown in code A2 and A13 below) to increase the recognition of business model design and operation capabilities.

We are the key company supported by the government this year. The government only takes three points into consideration: First, robustness and innovation of your business model; second, feasibility of execution and possibility of risk management; third, worthiness to promote the revenue model.

We also have comprehensive planning customized for freeway, Taiwan High Speed Rail (THSR) and even airport.

(3) Use “Inquiry” to emphasize “Advantage”

In the content of oral presentation, the franchisor would question the potential franchisees (as the solid lines shown in code A27 and A30 below) to strengthen the advantageous image of price and profitability.

Frankly speaking, such franchising as ours will not make you rich as a millionaire, but what benefits can we offer to you? That is the effect of “Penny and penny laid up will be many” on a long-term basis.

Take Carmex as an example. It costs 99 dollars in 7-11 convenience stores... What is our price? It brings 45 percent profit margin.

(4) Use “Confession” to earn “Trust”

In the content of oral presentation, the franchisor would admit the lack of high profitability (as the solid lines shown in code A27 and A31 below) to match the potential image of imperfection usually found in a new venture and then increase the reliability of presentation.

Frankly speaking, such franchising as ours will not make you rich as a millionaire, but what benefits can we offer to you? That is the effect of “Penny and penny laid up will be many” on a long-term basis.

How long does it take to reach breakeven? I would not say tomorrow as this is not convincing. According our experience, we estimate it takes 10 to 12 months for breakeven on average.

(5) Use “Scenario” to induce “Market Imagination”

In the content of oral presentation, the franchisor would describe the possible scenarios of new product and system introduction (as the solid lines shown in code A19 and A24 below) to extend the imagination of application markets of new venture.

In the future, you can purchase some food from our automatic vending machine such as cake, bread, chocolate, sandwich, etc., in response to an increase in eating-out population.
【A24】 *Payment system will be introduced in the future*, which is similar to prepaid card...it is likely to be used for paying parking fee and utility fee.

**Organization of Communication Content**

(1) Part I : Business Introduction and Credibility Building

In the first part of the presentation content, there are mainly two questions to be clarified, which are “What is our business” and “Why should you trust me.” This part is about business introduction and credibility building. The business introduction includes business focus and business scope, as the categories shown in Table 1. In terms of the presentation order, the franchisor would firstly define the business. Government recognition follows behind to indirectly prove the feasibility of the business model. Last, after-sales promises and business verification are provided to demonstrate the readiness for the business operation.

(2) Part II : Value Positioning and Market Selection

In the second part of the presentation content, value positioning is discussed from the comparison of current business models, and then market selection is described, which includes target markets, consumer needs and complete service platform, as the categories shown in Table 2. In terms of the presentation order, the franchisor would explain core values of the business, the target markets to which the values are delivered, and how the values are realized.

(3) Part III: Customized Services and Product Advantages

In the third part of the presentation content, customized services are provided for each market segment and product advantages are guaranteed, as the categories shown in Table 3. In terms of the presentation order, the franchisor would discuss market segmentation and customized services, and then emphasize both quality and price advantages.

(4) Part IV: Model Advantages and Reasonable Price

In the forth part of the presentation content, the advantages of the new business model are emphasized and reasonable price is offered to the potential franchisees, as the categories shown in Table 4. In terms of the presentation order, the franchisor would explain the business model is cost-effective and is ready for expansion both in product and system. With all these advantages, favorable price and payment scheme are discussed.

(5) Part V: Market opportunity and Profit Expectation

In the fifth part of the presentation content, market opportunity and profit expectation are discussed, as the categories shown in Table 5. In terms of the presentation order, the franchisor would take previous sales experience as an example to explain the market potential, Finally, certain profit margin and breakeven point can be expected.

**Table 1: Codes and Categories of Presentation Content – Part I**

<table>
<thead>
<tr>
<th>Code</th>
<th>Presentation Content</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td><em>Our company is the first 24-hour automated unmanned store domestically with such an innovative business model.</em></td>
<td>Business Focus</td>
</tr>
<tr>
<td>A2</td>
<td><em>We are the key company supported by the government this year. The government only takes three points into consideration: First, robustness and innovation of your business model; second, feasibility of execution and possibility of risk management; third, worthiness to promote the revenue model.</em></td>
<td>Government Recognition</td>
</tr>
<tr>
<td>A3</td>
<td><em>The automation service offered by our company covers: first, building of automated unmanned store; second, distribution of all types of automatic vending machines.</em></td>
<td>Business Scope</td>
</tr>
</tbody>
</table>
We are absolutely responsible for you…We are going to open one branch in every district. In terms of after-sales service, we will do our best. If you have any problem on the products purchased from the vending machine, you can visit our headquarters for product consultation and customer complaint handling. You can talk to us anytime on our e-commerce website even if it is in the night or you are in the remote location.

Our automated unmanned store has gone through a phase of integration and experiment. We have gradually opened 35 operating sites now which took us two years. During the two years, system integration, business integration, market integration and market testing have been completed.

Table 2: Codes and Categories of Presentation Content – Part II

<table>
<thead>
<tr>
<th>Code</th>
<th>Presentation Content</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>A7</td>
<td>Dedicated staff is required for counters in department store and direct selling. With regard to convenience, products are not readily available to consumers. Even if purchased, the price generally does not come up to expectations of consumers. Either TV shopping or online shopping has two issues to be overcome. First, whether product will be received after payment is made; also, whether the product received is the one you want. Second, consumers have to wait for product arrival. On the contrary, channels such as Cosmed and Watsons meet best the requirement of consumers regarding convenience and price. Over the past five years, their business performances continue to grow. Under the circumstances, we believe still there is room for our development.</td>
<td>Value Positioning</td>
</tr>
<tr>
<td>A8</td>
<td>Based on a clear concept, our automatic vending machines target markets including condo buildings, schools, stations and business districts to offer convenient services for products.</td>
<td>Target Markets</td>
</tr>
<tr>
<td>A9</td>
<td>Based on life-oriented consideration, we know consumers’ daily or unexpected needs to create a service platform.</td>
<td>Consumer Needs</td>
</tr>
<tr>
<td>A10</td>
<td>With integration and innovation of all videos and visual communication, in addition to integration of technological system in payment flow, information flow, logistics and business flow, we build a complete self-service platform that provides consumers with luxury experience at a fair price.</td>
<td>Complete Service Platform</td>
</tr>
</tbody>
</table>

Table 3: Codes and Categories of Presentation Content – Part III

<table>
<thead>
<tr>
<th>Code</th>
<th>Presentation Content</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>A11</td>
<td>As to condo building, management committee is established due to new construction project. Over the past 15 years, there have been near 3,900 committees like this in Taichung area, which is a large market.</td>
<td>Single Market Size</td>
</tr>
<tr>
<td>A12</td>
<td>The first is condo building, the second is school, the third is science park, the forth is railroad (bus) station and the fifth is business district. We aim at different markets and make the segmentation. For example, a condo building can be for general use, for office use, for suite use; school can be divided into campus or dormitory area.</td>
<td>Market Segmentation</td>
</tr>
<tr>
<td>A13</td>
<td>The first is condo building, the second is school, the third is science park, the forth is railroad (bus) station and the fifth is business district. We aim at different markets and make the segmentation. For example, a condo building can be for general use, for office use, for suite use; school can be divided into campus or dormitory area.</td>
<td>Customized Services</td>
</tr>
<tr>
<td>A14</td>
<td>We also have comprehensive planning customized for freeway, Taiwan High Speed Rail (THSR) and even airport. For instance, we have completed cooperation on networking with THSR, so in the future it will be clearly visible in all stations of THSR.</td>
<td></td>
</tr>
<tr>
<td>A16</td>
<td>It can be seen that we provide international brands… Even the lotion and face mask purchased from our vending machines are top brands worldwide such as Shiseido and Clarins to give our consumers luxury experience at a fair price.</td>
<td>Quality Advantage</td>
</tr>
</tbody>
</table>
When the price is the same as ours, quality is our competitive advantage... Next, our price is lower when two products have the same quality. Similar products such as energy drink may cost 77 dollars per bottle in a convenience store, but perhaps it will unnecessarily cost 77 dollars or 67 dollars through our channel.

Table 4: Codes and Categories of Presentation Content – Part IV

<table>
<thead>
<tr>
<th>Code</th>
<th>Presentation Content</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>A18</td>
<td>Consumers have to go out to convenience store no matter how convenient it is. However, the products we supply are easily purchased downstairs whether it is in the daytime or at night, and regardless of windy and rainy day. Second, it is known that six staff is required to run a 24-hour convenience store. We have tested the maximum productivity of automatic vending machine and found one adept staff could manage 30 vending machines. This shows 180 times of difference. Thus, our concept is to provide the best and the cheapest products at the downstairs of your home.</td>
<td>Cost-effective Model</td>
</tr>
<tr>
<td>A19</td>
<td>In the future, you can purchase some food from our automatic vending machine such as cake, bread, chocolate, sandwich, etc., in response to an increase in eating-out population. One large-scale bookstore negotiated with us for introduction of newspaper and magazines.</td>
<td>Product Expansion</td>
</tr>
<tr>
<td>A23</td>
<td>We will establish e-pos system for our franchisees to keep track of stock and revenue. You will no longer encounter the problem in using traditional vending machine. That is, when you carry boxes to where the vending machine is, you may: first, have to go back again to bring more stuff; second, bring back the surplus. We help our franchisees know well which products are in short supply before replenishment, and they can complete the replenishment accordingly. Payment system will be introduced in the future, which is similar to prepaid card. It is upgraded for free. Also, it is likely to be used for paying parking fee and utility fee.</td>
<td>Value-added System</td>
</tr>
<tr>
<td>A24</td>
<td>The government granted per manufacturer the subsidy of five million dollars, and we invested 12 million dollars. The overall plan costs 17 million dollars to build such system.</td>
<td>Development Cost</td>
</tr>
<tr>
<td>A20</td>
<td>One machine costs you 320,000 dollars, whose parts originate only from Taiwan, Japan and Germany. It is higher in quality than vending machines we see on the road, so what we built is a precise machine system. To tell the truth, it cost us at least 200,000 dollars to buy a single machine. Software development for introduction of system, setup of payment flow and acoustic control, etc. costs millions, and we share such project with our franchisees.</td>
<td>Reasonable Price</td>
</tr>
<tr>
<td>A21</td>
<td>You spend 320,000 dollars only at the very beginning and it will not cost you a dollar for contract renewal. The only expense is for 2-year warranty of machine, which is less than 15,000 dollars. Supported by our company, you will feel no worry in future operation.</td>
<td>One-off Payment</td>
</tr>
<tr>
<td>A22</td>
<td>Our machine is equipped with all these facilities. That is why we would rather spend 80,000 dollars to buy the machine back from you after the franchise agreement is terminated. The system-installed machine costs 800,000 dollars approximately.</td>
<td>Buyback Guarantee</td>
</tr>
</tbody>
</table>

Table 5: Codes and Categories of Presentation Content – Part V

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<thead>
<tr>
<th>Code</th>
<th>Presentation Content</th>
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<tr>
<td>A26</td>
<td>Stationery and commodities preferable to young people are best sellers on campus in central Taiwan. Problems on automatic vending machines had been reported every day. It was known that the machines are filled up with bills, so those franchisees had to get back the money 1-2 times a day. This indicates it is marketable.</td>
<td>Sales Experience</td>
</tr>
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</table>
There are 5.58 million automatic vending machines throughout Japan. This information is available online. An average of 22 people is served by one automatic vending machine. How about Taiwan? We believe there is infinite potential.

If you ask where the best location is to open a convenience store, I do not know how to answer the question as the market is saturated. By contrast, if you ask where to set a vending machine, I can give you the answer instantly. You can set a vending machine wherever you like.

Frankly speaking, such franchising as ours will not make you rich as a millionaire, but what benefits can we offer to you? That is the effect of “Penny and penny laid up will be many” on a long-term basis.

Next, you may ask how much you earn from one product. I can only tell you that the profit margin is about more than 30 percent. Take Carmex as an example. It costs 99 dollars in 7-11 convenience stores...What is our price? It brings 45 percent profit margin.

How long does it take to reach breakeven? I would not say tomorrow as this is not convincing. According our experience, we estimate it takes 10 to 12 months for breakeven on average. But it may take six months only when the vending machine is set in restaurant or hypermarket in Taipei. The point is how the owner takes this issue into consideration.

CONCLUSION

By content analysis, in terms of organization of communication content, the franchisor would state five parts in order, which are Part I: business introduction (includes business focus and business scope) and credibility building (includes government recognition, after-sales promises, and business verification); Part II: value positioning and market selection (includes target markets, consumer needs, and complete service platform); Part III: customized services (includes single market size, market segmentation, and customized services) and product advantages (includes quality advantage and price advantage); Part IV: model advantages (includes cost-effective model, product expansion, and value-added systems) and reasonable price (includes development cost, reasonable price, one-off payment, buyback guarantee); Part V: market opportunity (includes sales experience and market potential) and profit expectation (includes sustainable profit, profit margin, and breakeven point).

There are three main themes in the five parts. First, the core value of the new business model is discussed, which especially includes business credibility and value positioning. Second, the offerings of the new business model are described, which especially includes target markets, service/product offerings, and reasonable price. Third, the benefits of the new business model are emphasized, which especially includes market potential and profit expectation. In order to achieve effective communication for a new business model, the franchisor states business credibility in the beginning and profit expectation in the end. For a new franchise system, without brand awareness, emphasis on business credibility is needed. In addition to offerings, emphasis on expected benefits, such as profit expectation, for customers is needed.

In terms of narration of communication content, speaking of communication logic based on rational reasoning, this study discovered the entrepreneur would use “existing value gap” to reason “value positioning”, use “high development cost” to reason “reasonable price”, use “sales experience” to reason “market opportunity”, and use “overseas market growth” and “existing market saturation” to reason “market potential”. Speaking of the communication skills, this study discovered the franchisor would use the skill of comparison to emphasize uniqueness in stating “value positioning”, “model advantages”, and “market potential”, use the skill of citation to increase authority in stating “government recognition”, use
the skill of inquiry to emphasize advantage in stating “profit expectation”, use the skill of confession to earn trust in stating “profit expectation”, and use the skill of scenario to induce market imagination in stating “product expansion” and “value-added systems”.

REFERENCES


