

An-Najah National University

Faculty of Graduate Studies

PALTEL Data Services Franchise

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PALTEL Data Services Franchise

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DEDICATION

To My Beautiful Family...

With Love

ACKNOWLEDGMENT

First and foremost I would like to thank ALLAH for his care and support to me in achieving this work.

I would like to take immense pleasure to express my sincere and deep sense of gratitude to Dr. Bashar Sader for his sustained enthusiasm, creative suggestions, motivation and exemplary guidance throughout the course of my graduate study. As my teacher and mentor; he has taught me more than I could ever give him credit for here; he has shown me, by his example, what and how a great academic and person should be.

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There are so many others whom I may have inadvertently left out and I sincerely thank all of them for their help.

Ibrahim Salman

إقرار

أنا الموقع أدناه مقدم الرسالة التي تحمل العنوان:

PALTEL Data Services Franchise

أقر بأن ما اشتملت عليه هذه الرسالة إنما هي نتاج جهدي الخاص، باستثناء ما تمت الإشارة إليه حيثما ورد، وإن هذه الرسالة ككل، أو أي جزء منها لم يقدم من قبل لنيل درجة أو لقب علمي أو بحثي لدى أية مؤسسة تعليمية أو بحثية أخرى.

DECLARATION

The work provided in this thesis, unless otherwise referenced, is the researcher's own work, and has not been submitted elsewhere for any other degree or qualification.

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التاريخ:

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ABSTRACT

The purpose of this study is to develop and design a franchise system for PALTEL's data services to build a harmonic, state-of-the-art services-distribution network that is capable to deliver the latest cutting-edge services while maintaining the same look and feel and corporate image all over the areas covered by PALTEL license. The proposed system would provide a strategic alternative to the existing expansion method that is currently adopted by PALTEL.

This research was conducted using a combination of both the qualitative and quantitative research methodologies. The research raw data was collected using flexible semi-structured interviews and focus groups with selected participants that can actively contribute to the subject matter, in addition a documentary research as well as surveys were conducted to better gather and understand all aspects of the subject.

The collected data were analyzed and the franchise package was formed accordingly in a way that suits the needs, conditions and customers' service philosophy of the company as well as the customers' demand. The package modeling took into consideration the results of the customers' satisfaction

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survey in a way that increases their satisfaction of the distribution and retailing outlets of PALTEL.

The research results included a proposed franchise disclosure document and a proposed franchise agreement collectively referred to as the “Franchise Package” meant to better introduce the data products and services of PALTEL to the market in a way that grants PALTEL more control over distributors and retailers with minimal expansion risk and maximal flexibility. Furthermore the research has discussed the advantages and limitations of adopting such system; in addition the research has provided a range of recommendations that can support the implementations of the proposed system.

Chapter One
Introduction

Chapter One

Introduction

1.1 Introduction

Over the past several decades the demand for telecommunication services has grown at tremendous rate, communication services have become widely available, extremely essential and yet getting cheaper and more affordable.

Globalization, Information Technology, consumer choices and preferences, and continuous changing of telecommunications regulations has helped telecom services to become a \$120+ billion industry in United States (FORTUNE, 2011).

Beside the big companies, several small businesses and franchisors have taken advantages of the demand on telecom products and services. Such businesses are serving as outlets for telecom providers, and they offer a wide and complete range of their products, services and accessories. The success of many of the businesses and franchises in the telecom industry is fully depending on their ability to adapt to changes in consumer demand, marketplace and technology.

Telecom industry is a technologically focused industry thus it's crucial yet very critical as a franchisee to choose a franchisor that can adapt to the changes and ever increasing demand of the consumers. On the other hand telecom Industry is highly competitive and it's very depending on the way franchisors are marketing their products and services, thus it's vital to support the franchisees with a well-designed marketing plan that suites the segments of the targeted market to help them survive the competition.

Although franchisees are not required to be telecom experts to own and run a telecom franchise, but a basic understanding of current products, services and working technology would definitely help out.

The idea of telecom franchising is gaining more fame every day in a way or another, this research will be looking for the possibility of adopting franchising as an expansion strategy for the data and IP services in PALTEL.

1.2 Background:

PALTEL is the incumbent telecom player in Palestine, serving over 3 million active customers. The company is the leading telecom operator in its markets the fixed lines, the mobile and the data (PALTEL, 2010).

The key strategic objectives for the company at this stage can be summarized as the following (PALTEL, 2010):

- Expand the current capacity and its value-added services in accordance to high quality standards and competitive prices.
- Build an advanced information technology culture to promote Internet culture and reinforce its use in different fields.
- Offer a broader package of services to an ever-expanding subscribers' base in all Palestinian areas.
- Moving from national to regional telecommunications provider.

Achieving these objectives will help in improving the current market penetration of the services. The current penetration rate for the fixed lines is about 9% of the population and 52% of the households, the Asymmetric digital subscriber line "ADSL" penetration rate is about 15% of the

households and 30% of the fixed lines and last but not least the cellular penetration rate is about 66% of the population with more than 82% market share (PALTEL, 2010).

Currently PALTEL owns state-of-the-art nation-wide infrastructure and it's operating through five main subsidiaries:

- PALTEL – Fixed Line Operator
- Jawwal – Mobile Operator
- Hadara – Internet Service Provider
- Hulul – IT Services Company
- Reach – Call Center

Businesses worldwide are using different methods and strategies to expand their area of presence, enlarge their distribution network and reduce risk and expenses associated with their business. Franchising is one of many methodologies of practicing and using others' business philosophy, approaches, procedures and trademarks to do business.

Usually the franchisor (who owns the philosophy/model) grants the franchisee (who uses the philosophy/model) the right to distribute its products, services and techniques using their trademark in return of a percentage of gross monthly sales and annual fees. In addition the franchisor also provides national and international advertising, training and other support services as a part of the franchising package.

The franchising agreements are time limited; typically they last from five to thirty years with the ability of premature termination or cancellation, which may have serious consequences for franchisees (IFA, 2010).

This study will introduce a procedure to implement the idea of franchising the Data subsidiary of PALTEL, and to check whether or not it's a suitable strategy to introduce new services to the market as well as gaining more control over distributors and retailers with minimum risk and maximum flexibility especially in the data & internet market.

1.3 Problem Statement:

PALTEL reaches an agreement with the ministry of Telecom and Information Technology by which PALTEL will apply quota limit on the download size that ADSL users are able to download per month from the internet, this limit differs regarding the line speed. This means people will start to think before they start downloading anything so that they can preserve their quota limit.

The major cause of this issue is that PALTEL has a big problem with the heavy download users as well as the illegal resellers of the service. These types of people are taking the share of other normal people and over occupying the international backbone. But at the same time this would lead to customer dissatisfaction and a decrease of the total demand of the service. This is still valid point even after the introduction of the Bit-Stream Access model of the ADSL "BSA" in which PALTEL is providing the customer connectivity and the internet service provider "ISP" is responsible for providing the connection to the internet.

In this essence PALTEL should revive its data services with a brand new collection items that would shift-up the current status and recover any possible loss that could happen regarding this new quota limitation. This is an ideal time for PALTEL to start creating new local hosted services as

well as reinforce the existing ones that is already hosted within the Palestine Digital Network or as it is called for short the “PDN” which has a speed of 10Gbps. ADSL and other internet customers can access this locally hosted content with at least double their existing speeds without any effect on their quota limits. In other words, users can access and download everything from this locally hosted content with no limits and with higher speeds.

This study will focus on how PALTEL can make use of this valuable asset the “PDN” by launching its locally hosted services and content through a franchising system which will introduce a new era in the Palestinian digital history; this will help create a new wave of business in the country in which companies (franchisees) will start providing not only content to the local market but also new types of services that suit the current and the ever increasing needs and demands of local internet subscribers. Doing this through franchising system would help PALTEL discover and evaluate a new horizon of expansion, change the traditional ways of dealing with dealers and retailers in the region and introduce the concept of franchising in the regional telecom industry; precisely in the area of data services.

This study at its core aims to find out a suitable procedure to implement a franchising system to build a harmonic, state-of-the-art service-distribution network that offers the latest cutting-edge services in addition to maintaining the same look and feel and the same corporate image all over areas covered under the license of PALTEL.

1.4 Deliverables:

The expected outputs of this study are:

- Developing and designing a franchise package for PALTEL data services.
- A study regarding the possibility of adopting franchising as an expansion method for PALTEL data services.

1.5 Significance:

We are in a hot spot of the world like nowhere else which is truly a genuine news and content generator. A great example of this is the Maan News Agency website; the content of this site is fed and managed by local news and local events from all over Palestine accessed mainly by Palestinians all over the globe but precisely from people living in West Bank and Gaza. Unfortunately this site and many more are hosted outside somewhere in the United States. This simply means that we generate the content and host it outside, then when we want to view it we go out to the international network paying to get and view the very same content we had generated!

While holding the leader position for PALTEL as telecom operator in Palestine is a key objective to be maintained, this study is crucial to rule and control the quality of service and the quality of experience offered by PALTEL distributors and retailers for this locally hosted services.

Expansion is vital to the company survival and success; the expansion at its heart means better presence, better distributors' chain, better sales and better service availability which will all lead to a higher customer satisfaction by which PALTEL guarantees a higher rate of return for its

stakeholders; managing and controlling this expansion properly is what this study is all about.

1.6 Study Structure:

This study is consisted of the following chapters:

Chapter 1: Introduction

This chapter provides the introduction, background, objectives, problem statement, deliverables as well as the significance of the research.

Chapter 2: Literature Review

This chapter provides the related literature review on the research main points. It provides a quick view on the franchise pros and cons for the franchisors and the franchisees as well as the franchising alternatives, in addition to the franchising history and precisely in the telecom industry. At the end this chapter introduces the current expansion model that is used by PALTEL.

Chapter 3: PALTEL Current Situation

This Chapter describes the currently used sales channels in PALTEL; it highlights the provided services, challenges and the current situation in addition to its role in serving the company strategy. Chapter three is highly important since it describes the functions that formulate the sales directorate in addition to the management system that is used to carry out the daily business operations.

Chapter 4: Research Methodology

This chapter illustrates the methodology used to conduct this research in addition to the choice of research instruments; interviews, focus groups and surveys that were used to gather and collect the data required to successfully build and develop the franchise package. Furthermore the data analysis, validity and reliability will be discussed as well as the research limitations.

Chapter 5: The Franchise Package

This chapter in addition to chapter 6 represents the actual findings of this study after conducting a comprehensive analysis of the collected data and properly coupling it with the information collected from the documentation sources.

Chapter 6: PALTEL Franchise Agreement

This chapter highlights and defines terms and conditions that will bond PALTEL with the supposed franchisees in the form of a franchise agreement.

Chapter 7: Findings and Discussion

This chapter shows the key findings of this research and the associated statistical analysis. It also presents the importance and success indicators of the franchise system from the viewpoints of the franchisor and the franchisee as discussed during the focus groups and interviews.

Chapter 8: Conclusions and Recommendations

This chapter reviews the problem statement, research deliverables and the methodology used to conduct this research in broad and general terms. It also summarizes the research findings, recommendations and suggestions for further studies.

1.7 Conclusion:

The application of this study will enable PALTEL to:

- Introduce a brand new way to manage, maintain and distribute a new wave of data services.
- Reduce the operational costs and overheads related to distributors which will lead to better application of PALTEL expansion strategies.
- Increase the company ability to put more focus on the core business rather than concentrating on how to cope with distributors.
- Better sensing of the demand in all locations and geographic areas; besides making it harder for rivals to enter and compete in the market.

Chapter Two
Literature Review

Chapter Two

Literature Review

2.1 Introduction:

All successful businesses eventually face the need of growth and expansion; this need should be handled in a careful and effective manner. Business expansion is a stage of a company's life that is coupled with both opportunities and threats. On the one hand, business growth often carries with it a corresponding increase in financial fortunes for owners and employees alike. In addition, expansion is usually seen as a validation of the entrepreneur's initial business startup idea, and of his /her subsequent efforts to bring that vision to realization.

On the other hand business expansion also presents the business owner with many issues that have to be addressed: "Growth causes a variety of changes, all of which present different managerial, legal, and financial challenges. Growth means that new employees will be hired who will be looking to the top management of the company for leadership. Growth means that the company's management will become less and less centralized, and this may raise the levels of internal politics, protectionism, and dissension over what goals and projects the company should pursue. Growth means that market share will expand, calling for new strategies for dealing with larger competitors. Growth also means that additional capital will be required, creating new responsibilities to shareholders, investors, and institutional lenders. Thus, growth brings with it a variety of changes in the company's structure, needs, and objectives." (Sherman, 1997) Given these realities, we can say that the need of the organization to grow should

be supported by an effective management and proper planning to achieve the meaningful, long-term, profitable growth.

Businesses can expand their operations by pursuing different strategies and methods. There are many common methods by which companies increase their business size, like, increasing products inventory or services being offered without making comprehensive changes to facilities or other operational components. But usually, after some period of time, businesses that have the capacity and desire to grow will find that other options should be considered, such as growth by acquisition of smaller companies, establishment of business agreements for distribution and dealership, licensing an intellectual property, offering a franchise ownership to entrepreneurs, establishment of industry cooperatives to reduce the expenses in common operational areas such as procurements, marketing and distributions channels.

This research will be looking for the possibility of adopting franchising as an expansion strategy for the data services in PALTEL. Of course there are many definitions for the term “Franchising” but the most comprehensive one according to the International Franchise Association “*IFA*”(IFA, 2010) is the agreement between two legally independent parties which gives:

- A person or group which is called the franchisee the right to market a product or service using the trademark or trade name of another business which is called the franchisor.
- The franchisee the right to market a product or service using the operating methods of the franchisor.
- The franchisee the obligation to pay the franchisor fees for these rights.

- The franchisor the obligation to provide rights and support to franchisees.

So a franchise is a license that describes the relationship between the franchisor and the franchisee which also includes the terms and policies under which the trademarks, fees, support and control are being dealt with. In light of this definition franchises can be classified into two main types (Seid & Thomas, 2006):

Product Distribution Franchise, which is simply the act of selling the franchisor's products or services. In this case the franchisor licenses its trademark and logo to the franchisees but typically doesn't provide them with the entire systems needed for running their business. The businesses that usually use this type of franchising may include but are not limited to soft drink distributors, car dealers and even gas stations. The relation is taking a form of supplier-dealer relationship. Good examples of this type are Coca-Cola and Goodyear Tires (Seid & Thomas, 2006).

Business Format Franchise, this type is not limited to the use of the franchisor's product or service, trademark and logo, but it goes beyond that to include the entire method of doing the business itself. In this type the franchisee uses the franchisor's philosophy to conduct business which includes the marketing plan, operations manuals and everything the business needs. Decent examples of such type are McDonald's and Subway (Seid & Thomas, 2006).

Although the product distribution franchises represent the largest percentage of total retail sales, the business format franchises are the most common type of franchises and they include fast food, retail, maintenance, restaurants, services and many more franchises (Seid & Thomas, 2006).

The main difference between both types is that business format franchisors offer a full operating system to the franchisees and thus they seek conformity, while product distribution franchisors don't offer such a system and they don't seek consistency in the franchisees' operations. Another difference between the two forms is that business format franchisors are tend to make money out of royalties of the gross sales to the end customers, whereas the product distribution franchisors seek compensation from sales of products to the franchisees who resell them to the retail customers (Shane, 2010).

Many industries fall under one of previous two main types of franchises, and because of the wide range of possible investments, franchisors are using different types of franchise agreements. These franchising agreements can fall under two main types (Tuunanen et al., 2010):

Single-Unit Franchise, which is basically an agreement in which the franchisor grants the franchisee the right to open and operate one franchise unit. This type of franchise agreements is the simplest and the most common type. However it's possible for the franchisee to get an additional single unit franchise after the successful operation of the first unit, in this case it's considered a multiple-single unit relationship.

Multi-Unit Franchise, where the franchisor grants the franchisee the rights to open and operate more than one unit. This type of agreements can be accomplished in two main ways:

- Area Development Franchise: in which the franchisee has the authority to open more than one unit during a predetermined time within his/her specified area of authority. For instance the agreement

may state that the franchisee has the right to open 3 units over a 5 years period in a specific area.

- **Master Franchise Development:** this type of multi-unit franchise gives the franchisee more rights and authority than the previous one in addition of having the right to open and operate certain number of units in a defined area a master franchisee has the rights to sell the franchises to other people within his/her area of authorization. In this case the master franchisee carries out duties and tasks of the original franchisor such as providing the training, support and gathering the fees and royalties of the sub-franchises (Tuunanen et al., 2010).

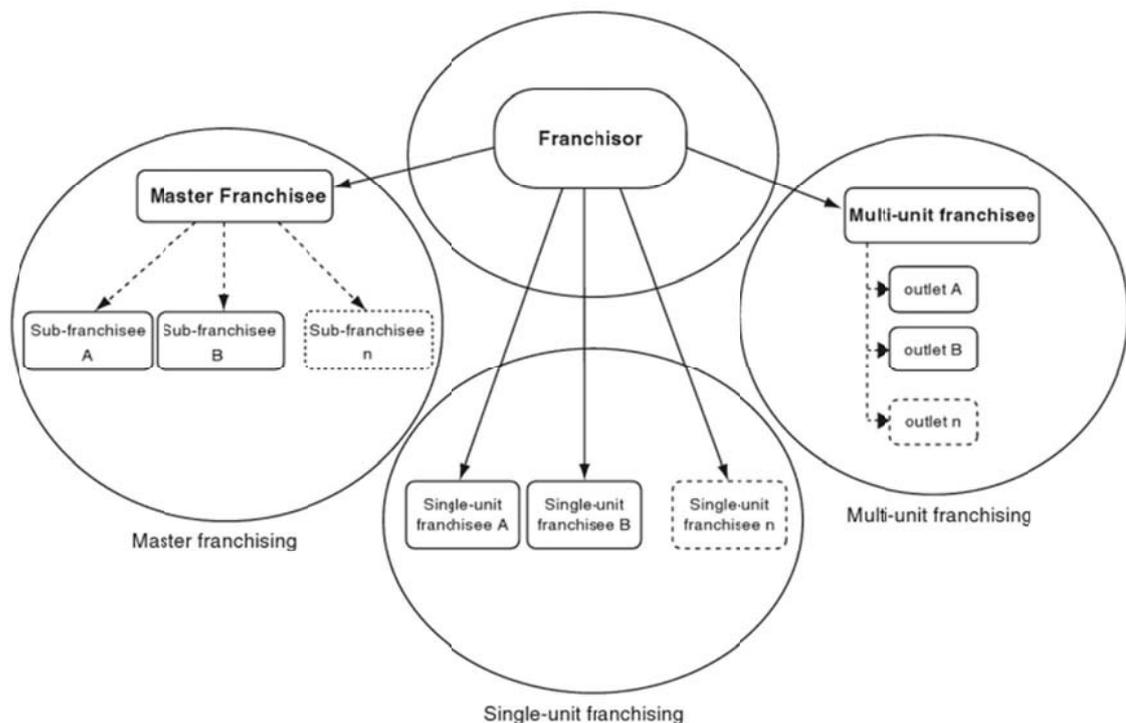


Figure 2.1: The Structure of Single-Unit Franchise and Multi-Unit Franchise. Adopted from “New Developments in the Theory of Networks: Franchising, Alliances and Cooperatives”.

2.2 Franchising alternatives:

In business literature distributorship, licensing and joint venture agreements are the main popular alternatives to franchising by which business can expand its market share and sales channels (Sherman, 2011).

According to Sherman (2011) in the distributorship agreement, the distributor usually:

- Has a contractual relationship with the supplier/producer.
- Buys from the supplier in bulk and sells in smaller quantities.
- Is familiar with local markets and customers.
- May do business with many companies, more than just one supplier/producer.
- May not receive contractual support and training from the supplier/producer like a franchisee.

This indicates that at a certain level of controls and procedures the distributorship agreements would be similar to franchise agreements and vice versa. A distributor with many controls and procedures by the supplier may look like a franchisee and on the other hand a franchisee with an adequate amount of flexibility in how to run the business may look like an independent dealer.

On the other hand the licensing agreements grant the licensee the authority to pay for the use of a certain trademark or an intellectual property. The main difference between licensing and franchising is that in franchising agreements franchisors apply significant controls over the franchisee's operations, where in the licensing agreements licensors are mainly

interested in collecting fees and supervising the use of the license rather than the involvement in the business operations (Sherman, 2011).

Whereas joint venture relationship is where the two parties enter an agreement by which they conduct business and share the profit of a specific venture together, while the franchise relationship doesn't have the principle of profit sharing. Also the joint venture agreement does normally authorize parties to act on the other's behalf, while the franchise agreement normally doesn't. The joint venture is a partnership in a specific project or single transaction, whereas the franchise relationship normally has longer duration and more frequent transactions (Sherman, 2011).

2.3 Franchising Advantages:

2.3.1 Franchisor Advantages:

- a. A franchise enables the franchisor to expand his/her business quicker and easier than growing only through self-owned channels, this guarantees a more rapid market penetration (Murray, 2006).
- b. Franchisor can better expand brand awareness since the franchisees pay a percentage of the marketing and advertising expenses which are controlled by the franchisor (Sherman, 2011).
- c. The franchisor preserves the capital needed for the new expansion since the franchisee covers all the expenses and luckily there are an army of willing investors to buy a successful franchise, on the other hand the franchising fees and the ongoing royalty paid by the franchisee provide a high degree of financial leverage for the franchisor who is taking a minimal risk (Seid & Thomas, 2006).

- d. Franchisees are motivated more than the salaried branch managers or employees to maximize the sales and profits which reflect better impact on the business (Murray, 2006).
- e. Franchisees are more responsive to the local market needs than salaried branch managers and typically they can achieve local public awareness of the business and enhance consumer loyalty and goodwill quicker and easier (Alon, 2004).
- f. Franchisees considered as an important source of new marketing and product concepts as they are in direct contact with the end customers and the local markets of which the franchisor might has a little or minimal knowledge (Pride & Ferrel, 2008).
- g. Franchising system means uniformity of procedures which leads to consistent, better quality and enhanced productivity levels, this leads to an effective quality control system which is a major advantage of the system for the franchisor and results in more brand-satisfied customers and improved sales effectiveness (Sherman, 2011).
- h. The franchisor controls how the products are presented and sold, and since the outlet sells his/her products and services only and no other, the franchisor may also obligate the franchisee to buy supplies and equipments from the mother company (Sherman, 2011).
- i. Last but not least, franchising enables the franchisor to run his/her business with a small central organization through which the business maintains a more cost effective labor force, reduction of key staff turnover and more effective recruitment (Mendelsohn, 2004).

2.3.2 Franchisee Advantages:

- a. A franchise allows the franchisee to open his/her business quickly with full assistance of the franchisor, avoiding the unnecessary trial and error period in starting and operating a new business (Seid & Thomas, 2006).
- b. A franchise agreement usually eliminates the franchisee fears from potential rivals, this happens by granting each new franchisee exclusive rights to operate in their territory or area (Seid & Thomas, 2006).
- c. The franchisee has access to accumulated business experience and technical know-how in managing the business, which would lead to easier purchasing, storing, product displaying and tracking systems (Swart, 2004).
- d. A franchise grants pre-opening support that includes but is not limited to training, site selection, design, construction and in some cases financing. In addition, it offers an on-going support and assistance in advertising, operational procedures, supervision and management, as well as continuous training (Sherman, 2011).
- e. Lower financial risk, compared to other activities, because on one hand investment costs are lower and well-structured, and on the other hand profit margins are higher and more guaranteed (Saraogi, 2009).
- f. A franchise provides the franchisee with an established product or service which already enjoys reputation and widespread brand name recognition. This enables the franchisee to benefit from the customer awareness of the product and the brand which would normally take years to be established (Lancaster & Massingham, 2010).

- g. A franchise increases the franchisee business chances to succeed since it provides the franchisee with recognized products or services and well-structured methods of doing that business. Thus the franchisee has an opportunity to run a proven business concept with a successful operational track record (Lancaster & Massingham, 2010).
- h. The franchisee has the opportunity to learn the latest developments and changes in the local and global market from the franchisor and focus entirely on developing and enhancing the sales revenues (Sherman, 2011).
- i. A franchise may at a certain level guarantee the product or service consistency for the end customers since it's maintained and monitored by effective quality control systems (Sherman, 2011).
- j. A unified store design which leverages the business reputation and marketing (Seid & Thomas, 2006).
- k. Although there are too many rules and policies to follow, the franchisees own their own business and they are responsible for day-to-day administrative tasks such as recruiting staff, managing payrolls and many more. This raises the franchisees motivation and moral to better serve the business (Murray, 2006).

2.4 Franchising Disadvantages:

2.4.1 Franchisor disadvantages:

- a. A considerable capital is required to build the franchise infrastructure and its operational model. Besides that, the franchisor is required to have the appropriate resources to recruit, train, and support franchisees (Seid & Thomas, 2006).

- b. At the beginning of the franchise program there is a broader risk that the franchisor brand name, reputation and goodwill can be damaged by act or omission of a single franchisee, until such time that the franchisor is capable of selecting the right franchisee candidates for his/her business. Selecting franchisees is not an easy mission since most of them are inexperienced and it's very difficult to know who has the correct attitude to be a good franchisee (Mendelsohn, 2004).
- c. Owning and operating business outlets is better in terms of commitment to fulfill the mission and vision objectives. The franchisee commitment is usually based on the franchise contract period and he might not want to continue his/her commitment after that, while on the other hand self-owned business commitment towards strategic objectives will continue (Mendelsohn, 2004).
- d. The franchisor has to share and reveal confidential business information to franchisees and this may create a risk to the business (Saraogi, 2009).
- e. There is a risk that franchisees put an excessive pressure over the franchisor in order to implement new policies and procedures (Sherman, 2011).
- f. If communication and trust between the franchisor and franchisee are not good and well established then the potential of the relationship degradation is high (Mendelsohn, 2004).
- g. At certain level the administrative load of monitoring and supporting the operations of the franchisees' network may become a serious issue if it's not well handled and controlled (Sherman, 2011).

2.4.2 Franchisee disadvantages:

- a. The requirement to pay the franchise fees and ongoing royalty to the franchisor and the startup cost are in some cases exaggerated and overstated. This means a reduced profit margin and therefore becoming a franchisee may be more expensive than starting up a self-owned business (Seid & Thomas, 2006).
- b. The necessity of making a long-term commitment to the franchisor's operating systems, standards, policies and even day-to-day procedures (Sherman, 2011).
- c. Despite all the efforts, good systems and famous brand name, the franchisee sometimes fails to make profit, simply when his/her sales cannot cover his/her expenditures. This also might happen if the franchisor fails to carryout his/her duties and responsibilities (Murray, 2006).
- d. A chain is as strong as its weakest link. Therefore if anything goes wrong in any outlet of the chain then bad publicity may have a hostile effect on the whole company and not only that outlet. Thus the whole franchise chain owners may suffer through no fault of their own (Mendelsohn, 2004).
- e. The franchisee is exposed to contract termination even though his/her franchise duration is not over yet. The franchisor can terminate the contract if a franchisee fails to comply with any of the terms of the agreement or if the franchisee fails to correct the errors and mistakes committed by him or by his/her employees. So if the relationship between the franchisee and his/her franchisor is not good, the franchisor can find a lot of reasons to end the franchise contract (Mendelsohn, 2004).

- f. Upon expiration or termination of the franchise contract all the goodwill that was built in the local market will be transferred to the franchisor (Sherman, 2011).
- g. Choosing the right franchisor may be one of the most difficult tasks facing investors who want to become franchisees. Weighing up the franchisor is important from one hand to measure the business package which might not be as good as it looks through promotional materials and verbal assurances, and on the other hand to measure the franchisor ability of carrying out his/her responsibilities like providing quality training, continuous support and other services that are crucial for the franchisee to make a successful business (Murray, 2006).
- h. Last but not least franchise systems bound the franchisor and the franchisee together through legal agreements and often these agreements contains restrictions and limitations that could potentially impact the franchisor's as well as the franchisee's ability to make strategic decisions (Seid & Thomas, 2006).

2.5 Franchising History

There is a huge debate on the original franchising founder; some says that is goes back to Benjamin Franklin and Thomas Whitmarsh who carried out the first franchise agreement in 1731 which they call it at that time "Co-Partnership for the carrying on of the Business of Printing in Charlestown in South Carolina." (Seid & Thomas, 2006). Others consider the efforts of Isaac Singer to distribute his/her newly improved sewing machines back in the 1850s made him the first American who runs a franchise (Shane, 2010).

A later example of a successful franchising is the Coca-Cola Company which operates its franchised distribution system in 1890s; the company produces its concentrated syrup which is sold to various bottlers worldwide who hold exclusive distribution rights in their region (Coca-Cola, 2010).

In the early 1900s the auto industry has participated in this revolution, FORD and General Motors start to franchise dealership agreements to businessmen to sell cars to end customers under their names. In the later 1920s the oil companies have provided a valuable service to franchising by pioneering the conversion franchising process (which is the process of turning an independent business into a franchisee under the authority of the franchisor) by offering independent repair stations the right to use their trademarks (Shane, 2010).

Historians date the franchising pioneers back to the late 19th century and early 20th century, but franchising really started to be influential as a way of doing business in the 1950s and later when many of current largest business chains such McDonald's, KFC, Burger King and many others were established.

The raise of communication and advertising systems has helped in the franchising acceleration. They served a vital role in spreading and building the brand names of the franchises. These systems made brand names not only nationally but also globally recognized, this allowed having a business chain that its main competitive advantage is a recognizable name which reflects precision and quality.

Franchising is not limited to a certain industry and the number of franchising opportunities is growing with no limits every day, it's depending on the originality, creativity and skills of the franchisor that

creates it. Franchises truly started to be influential as a way of business in the mid 1950s when businesses like Burger King, KFC and McDonalds were established.

2.6 Franchising in the Telecom Industry

The points of presence for telecom operators have continued to grow as these firms opened new stores to cope up with the aggressive competition in this highly growing market and to better reach their customers. This competition also strengthened the ties between the operators and their partners to have more points of sale “POS” for their products and services. Telecom operators are using different business models to do expansion of their points of sale, and one of the most important growing models is the use of franchising systems because of its major advantages in reducing the risks associated with the process of expansion.

Many telecom operators in the world are starting to use franchising systems as an expansion strategy; a good example of these operators is Orange which is one of the largest telecommunication operators in the world. Since the last year Orange has reconsidered the distribution network of its products and services to achieve the optimal points of presence and distribution network, in the context of this highly competitive market and economic crisis. As a part of this process, some points of sale were closed to eliminate redundancies, and new stores were opened in other areas where the potential was high, these new openings were carried out by Orange partners through franchising systems. Since the adaption of this philosophy Orange is depending more and more on their franchisees to deliver their products and services; for instance Mobinil which has an Orange master franchise agreement in Egypt has increased its franchised

units from 30 stores in 2008 to 49 stores in 2009 while its directly owned stores increased from 33 stores in 2008 to 42 stores in 2009.

We can see that this is a growing model as it's widely used by Orange as a successful expansion methodology based on win-win strategy between Orange and its partners. Orange estimates the required investment needed for opening an Orange store to be around € 150,000. This cost of opening is split between Orange and its franchisee: where Orange supplies the furniture, marketing and products in addition to the systems needed, while the partners bear the cost of civil works and getting the store to Orange standards. Orange Espana's franchisees occupy 21.8% of Orange distribution network in Spain, while Orange Slovensko's franchisees occupy 87.8% of the total distribution network in Slovakia (France Telecom, 2010).

Verizon which is the largest wireless service provider in United States is another great example on telecom franchising; when it comes to wireless and cable services people continue to show huge value in their wireless devices and services especially they are using it for more than doing calls. Verizon through an exclusive relation with Wireless Zone is offering a complete package of its services for franchising. Wireless Zone pairs this strong brand association with outstanding store planning, merchandising, advertising, field support and training. They give full support and all needed resources for a successful launch and operation of franchisee business. This solid system and methodology led to total of 400 store openings in United States by end of 2010 and counting (Wireless Zone, 2010).

Indian operators including Bharti, BSNL, Tata Indicom and others are expanding their operations rapidly in all Asia using franchising systems, “Franchising is the best way to reach out to the customers for us. For this we join hands with the entrepreneurs,” says Umang Das the president of global business in Spice Telecom India. On the other hand franchising systems enables telecom professionals to start their own businesses with minimal risk and maximum opportunity to succeed, “I was more into technology and I have done a lot of research on the telecom sector. Because of my enterprising nature I preferred to become an entrepreneur and by taking the franchisee of Tata Indicom I have entered into this trade.” says Young Yuvraj, franchisee of Tata Indicom (Narula, 2006).

Furthermore device makers such as Nokia, Motorola, Samsung, LG and many more are also setting up their franchised outlets all over world, this enables them to get an easy access to all areas including rural ones which are normally ignored by telecom operators when they consider opening their own stores.

Franchising is playing a big role in the telecom sector since the growth of this vital sector is largely depends on the reach of the companies to their customers, franchising is being taken as a great route of safe expansion strategy by most of the telecom operators worldwide. The players of this domain are extremely optimistic on the market, although there is a huge cut in the telecom tariffs by the governments.

2.7 PALTEL Current Expansion Model

Business success depends on the expansion strategy adopted by the firm. Currently PALTEL uses its own store chain which fully managed, operated

and maintained by the company as its expansion strategy since its foundation. Using this strategy the company has total control of the each store, sets all the policies and procedures and retains all the profits from each store. But on the other hand the company is responsible for all day-to-day operations, staff employment, staff wages and benefits, providing the funds needed for the expansion, dealing with all local laws and regulations, in addition to all of the overhead associated with managing each and every store beside managing the whole chain and insuring the system efficiency.

After more than 14 years of adopting the wholly owned store chain, it became clear that the main competitive disadvantage resides in the centralized directions and rigidly standardized operating procedures, which tend to limit the individual selling units' flexibility and delay useful innovations.

Due to the recent market dynamics and the accelerated change in competition nature, the company systems have to evolve to adapt to this change thus it's the right time to start evolution to overcome all of current system weaknesses.

The following chapter will introduce, describe and analyze the current situation of PALTEL to build up a suitable franchise package that can overcome the current system limitations.

2.8 Conclusion:

In the last 30 years a large amount of research has been conducted on franchising in many areas; including economics, marketing, law, management and many others.

By reviewing the franchise literature we can easily figure out that researchers in a certain field are rarely seem to show any interest in research from other fields. That's why the franchising research was highly fragmented until recent years, where efforts are grouped and the success factors of franchising are now well documented.

Franchising researches focus on three main perspectives; the resource perspective, the efficiency perspective and the philosophy and principal perspective. The resource perspective shows that franchising is an effective way to gather the fundamental resources a company needs which are: the financial capital, the market knowledge and the human capital.

The efficiency perspective shows that franchising is a great tool to achieve economies of scale, precisely in production, promotion and coordination. Finally for philosophy and principal perspective in which franchising is an effective answer to the classical principal-agent problem because franchising resolves the traditional problems that are often related to the principal-agent relationships.

Chapter Three
PALTEL Current Situation

Chapter Three

PALTEL Current Situation

3.1 Introduction:

This Chapter describes the currently used sales channels in PALTEL; it highlights the provided services, challenges and the current situation in addition to its role in serving the company strategy. Chapter three is highly important since it describes the functions that formulate the sales directorate in addition to the management system that is used to carry out the daily business operations.

3.2 Background:

The Sales directorate is one of the major and main directorates that formulate the organizational structure of PALTEL. PALTEL sales directorate is structured according to the functional method into different departments; the Corporate Sales Department, the Channel Sales Department, and the Strategic Sales Department. Each one of these departments is considered to be a function since it bears specific roles and responsibilities for the corporate sales structure.

3.3 The Structure:

Corporate sales department is responsible for all direct sales actions which include selling to both the private sector and to the public sector. This department depends on the account managers to carry out all of its functions; the account manager is basically the sales person who is fully responsible for all sales and after sales functions for a certain corporate-

customer or group of corporate-customers. The account manager is also the contact person for all corporate accounts associated to him/her; he/she is responsible for following up the changing needs for these customers as well as the support tickets and the all other issues.

Sales channels department is consisted of the retail department and the dealers department. The retail department is the authority responsible for all of PALTEL retail stores (showrooms); these retail stores are called One Stop Shops or OSSs for short.

There are 14 OSSs spread in West Bank and 7 other OSSs in Gaza Strip. In terms of size, these OSSs range from small showrooms in which 2 employees serve the customers to large showrooms in which more than 20 employees serve the customers. Of course the size of the OSS and the number of employees serving in it are fully dependent on its location whether it resides in a major city or a small town.

The OSSs also varies from the perspective of the total served orders which ranges from 10 orders per day in certain locations to over 700 orders per day in other locations. In total, PALTEL OSSs are serving about 5000 orders per day with an average serving time of about 12 minutes per customer. The OSSs are employing more than 150 employees without taking into account the management staff, the operations or even the supports teams.

PALTEL OSSs provide various services to the end customers, through these OSSs PALTEL subscribers can pay their bills, buy telecommunications products (for example: phones, fax machines or even computers and laptops), request a telecommunication service (for example, request a new phone line, ADSL line or any other service), apply for any

administrative service (for example, changing the place of line installation, changing the line number or any other similar services).

The Dealers department is actually the authority that is responsible for about 109 dealers in West Bank and about 77 dealers in Gaza strip, these dealers can only carry out some of the basic services of the OSSs but with limited capabilities. Dealers' responsibilities are spanning multiple functions which include the fixed line bills' collections, bills' installments, connection and reconnection of fixed lines of both types postpaid and prepaid, fixed and ADSL lines selling in addition to local and international prepaid calling cards selling. Most of the dealers' services are carried out offline except for the bills' collection, thus the dealers role remains limited in the type and quality of service they provide.

Last but not least, the strategic sales department is responsible for all the operations related to sales inventory management, OSSs support and logistics as well as campaigns' logistics. This department is also responsible for the supporting software applications in addition to systems updates and upgrades and making sure that these software applications are handling all the needed tasks and every authorized personal can easily access the needed information.

Campaigns analysis, targets auditing and reporting on daily, weekly and monthly basis are also major tasks of the strategic sales department in addition to preparing the sales plans, work procedures, work flows and everything that insures the harmony in the sales directorate. Additionally it's responsible for quarterly targets distribution for the different sales channels depending on the total targets assigned by the higher

management, moreover the department also calculates and audits the quarterly and annual commissions paid for the different parties.

The figure 3.1 below summarizes the organizational structure of the sales directorate in PALTEL:

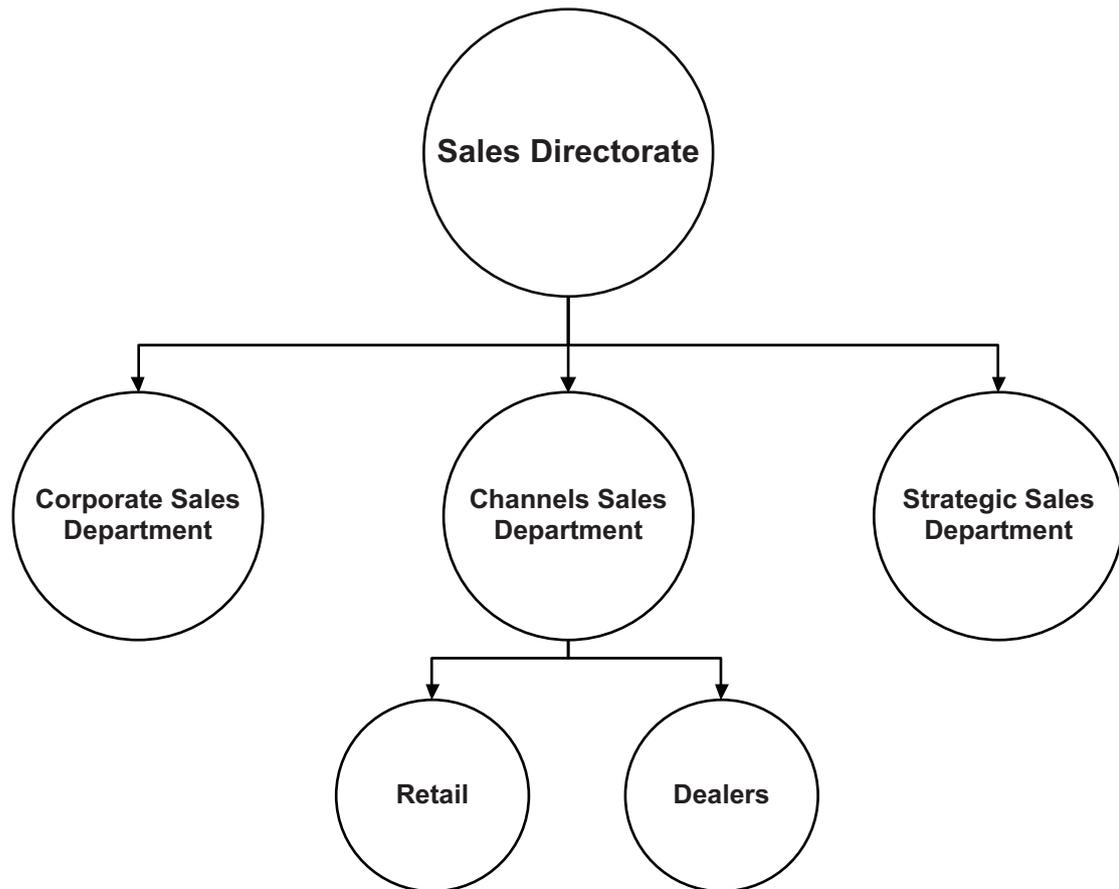


Figure 3.1: PALTEL Sales Directorate Organizational Structure.

3.4 The Overhead:

According to Walther (2010), the indirect expenses also known as the overhead or in other words the operating expenses, which are basically the cost of running the business. Companies would not be able to function without these overhead expenditures but on the other hand such expenses do not contribute directly to the corporate revenue or in its profit generation

streams. Business owners need to consider these overhead expenditures whenever a product or service is priced, and in many cases the overhead cost can be serious problem especially in the telecom industry.

The company with less overhead cost can have a better marginality and thus can sell its services with a more competitive price. For instance if a company pays a lot for a premium location of its retail store then this will be reflected in the high prices of its services and products, which will lead its customers to search for an alternative with a competitive price because they can't see the reasons why should they pay such an expensive price. In this case the company is forced to reduce its prices, which could mean that it hardly meets its operating expenses.

The cost of renting sites, stores and facilities to operate and run a business is one of the most common overhead expenses. Business will have to pay the rent continually or otherwise purchase the property unless the business is totally operated online. As a result, this is usually one of the most essential and expensive overhead costs. Rents can be particularly expensive when operating and running a large scale business or when renting in highly competitive locations in main cities.

Utilities are another major and common overhead expense that is usually combined with paying the rents. In order to power up the facilities with the needed electricity, lighting, water, plumbing, gas, garbage, communication services such as phones and internet access and many more things, business needs to pay utility costs on an ongoing basis. Otherwise the business would not be able to function properly. In general the larger the business facilities are, the higher the overhead of utility costs would be.

Marketing costs are yet another overhead expense that can vastly vary from one business to another. Different marketing strategies are usually carried out by the business in order to attract new customers. Marketing tools and techniques can vary from small scale advertisements in local newspapers and magazines to publishing online campaigns through the corporate website or by making use of the social media websites (for instance Facebook, Twitter, YouTube and many more) to a larger scale campaigns which could include placing advertisements on billboards as well as radio and television commercials.

The diversity in the marketing methods is crucial and essential for the business success and it's even more special when it comes to service marketing. Consequently, marketing costs can make either an insignificant overhead cost or potentially a very gigantic one.

Different taxes and license fees are yet another operating cost that applies to nearly all businesses especially in the telecommunication industry, where each company has to pay 7% of its annual revenues as license fees in addition to the traditional taxes applied to businesses in other industries. So whenever the statements are ready, a certain percentage of tax money must be paid or otherwise, fines and legal complications can take place. As a result, all businesses hold the responsibility to pay their taxes and they are accountable of doing so.

Overhead expenses span a lot of items which may include in addition to those mentioned above, employees' insurance, employees' benefits, accounting services, financial auditing services, fines and penalties.

In light of the above we can see that business could not exist or last without the overhead expenses, this makes these expenditures an initial and vital

part of the business, accordingly it's very important to plan for the overhead expenses when starting and operating a business. The overhead expenses also need to be incorporated into the business plans.

On the other hand direct expenses are very important which could include things like products purchased as wholesale for the purpose of resale, raw materials purchased for the purpose of manufacturing, software and hardware that form the infrastructure of a telecom network as well as the underlying grid of fiber and copper links that span the whole country. These expenses that are designed to create profits for businesses are considered to be the direct costs which can truly make the business owner make money.

The consolidated statement of income and cash flows for the year ended at December 31, 2010 shows the overhead expenditure highlights and they are distributed as the following (PALTEL, 2010):

Table 3.1: Overhead Expenditure Highlights

Item	Expenditure
Payroll and related employees' benefits	JD 69,690,000
License fees	JD 24,756,000
Media and advertising expenses	JD 11,141,000
Sales commissions	JD 10,724,000
Maintenance services	JD 6,234,000
Utilities: water, electricity and public services	JD 4,646,000

Rents	JD 4,287,000
Social responsibility fund	JD 3,323,000
Security & cleaning services	JD 2,622,000
Consultation services	JD 2,277,000
Travel, accommodation, transportation and fuel	JD 1,730,000
Cars operating lease	JD 1,668,000
Postal services	JD 1,421,000
Employees' and assets insurance	JD 963,000
Conferences and hospitality	JD 630,000
Stationery and printings	JD 600,000
Port demurrage fee	JD 424,000

3.5 Advantages & Disadvantages of the Current System:

Currently as we see in the structure of sales channels, PALTEL is almost fully depending on its retail chain as the primary sales channel. Having a retail store chain has many pros and cons, in this section we'll briefly go through those of PALTEL retail outlets.

3.5.1 Advantages

1. Opening a retail store means that the business has a physical presence in that area. This allows the customers to easily identify the business which essentially helps in building the trust between the customers and the business brand.
2. Retail stores with high level of visibility can draw the passing crowd's attention; regular shoppers usually recognize new retail stores even if they are new in the area.
3. Retailing means cash transactions, which means that the customers are paying with cash money for their purchases, and business doesn't have to wait for 30 days or 60 days term. These cash payments reduce the risks of bad debts and help to improve the effectiveness of fund utilization and cash flows.
4. The retail process is usually short and simple; the customers enter the retail store, the employees serve them, they decide to buy and then they pay for their purchase.
5. Dealing with customers directly helps to promote the sales by introducing more specialized and customized services that fit the customers' needs.
6. Help to discover the real market demand through the daily interactions with the customers in the places of the retail outlets.

3.5.2 Disadvantages

1. Retail stores need a large capital to setup. The business has to renovate the shop to match its brand, employ people to work in and invest in the outlet equipments that are needed to carry out its

functionality. This increases the total risks on the business opening new outlets.

2. Retailing means that once the outlet is opened, then employees have to wait for the customers to come in order to serve them, this means that the retail outlets are playing the role of passive business instead of going out and be more active in sourcing and obtaining the customers.
3. Retail outlets can be at a certain level inflexible to some changes that might happen in the market. For instance the neighborhood can go into a decline, parking restrictions may be applied and many more things could happen in other words the market can truly move away.
4. Suitable locations are hard to find as they are hunted by competitors all the time.
5. Retailing always follows and obeys the sales seasonal effects. For instance sales at retail stores can get to its maximum in holidays and summer season while on the contrary goes to its minimum in the winter and during the schools and universities exams.
6. Retailing includes meeting and dealing with difficult customers and that requires high experience, tact and attitude of employees when dealing with this kind of clients.
7. Employees training and development; so that they have a better understanding of the products and services they are selling, and on the other hand they can deal politely and effectively with the customers. This also includes continuous monitoring the staff performance to find out lazy or impolite ones for disciplining.

3.6 Data Services:

PALTEL provide many kinds of data services for its customers, these services include but are not limited to the following services; Asymmetric Digital Subscriber Lines or the ADSL for short with two versions of sharing ratios 1:12 and 1:24, the Symmetric High-Speed Digital Subscriber Line or SHDSL for short, the Internet Protocol Virtual Private Network “IP-VPN” which is operated over the Multiprotocol Label Switching “MPLS” network this service is provided on both the local and global levels, the Digital Leased Lines which include private leased lines (TDM) and frame relay lines, the Integrated Services Digital Network “ISDN”. These services have different access type from the transmission links point of view; some is based on the copper network others depend on the fiber network which spans the entire country.

“TWIN” is yet another new service that is dependent on the new generation data network of PALTEL; although it is a voice service but unlike the traditional voice services of the fixed lines that we are using, this service is operated through soft-switches and utilizes what’s known as the voice over internet protocol “VoIP”, this protocol uses the internet as its interconnection network, which gives the service users the mobility advantage since they can use it whenever they are connected to the internet regardless of their location without the need to change their numbers nor their tariff plan when changing their residence or place.

The demand on data services is getting higher and higher every day due to the special situation of Palestine; people and businesses alike are increasingly dependent on technology in day to day life. This increasing demand coupled with the variety and complexity of the services has created

the need to rethink the way in which these services are presented to the customers. The following chapters will highlight the proposed solutions to satisfy the customers' needs.

Chapter Four
Research Methodology

Chapter Four

Research Methodology

4.1 Introduction:

This chapter illustrates the methodology used to conduct this research in addition to the choice of research instruments; interviews, focus groups and surveys that were used to gather and collect the data required to successfully build and develop the franchise package. Furthermore the data analysis, validity and reliability will be discussed as well as the research limitations.

4.2 Research Categories:

The research methods can be categorized in different ways depending on the various perspectives; however, the categorization into quantitative and qualitative research methods is the most well-known and common approach (Myers, 2011). These two main approaches, the quantitative research and the qualitative research, are used to resolve research problems. The approach choice usually depends on the nature of the problem as well as the researcher's assumptions.

4.2.1 Quantitative Research:

Quantitative research is an objective approach that is used to describe the concerned phenomena through collecting and analyzing numerical data and applying statistical tests (Hussey & Hussey, 1997). This type of research were originally developed for the natural science fields to study natural

phenomena and now the quantitative research methods are well accepted in the social sciences as well (Myers, 2011).

Quantitative researches have many definitions; in a nutshell quantitative research is about quantifying relationships between variables. The quantitative research is a deductive model that seeks to establish facts, make forecasts as well as test hypotheses (Nykiel, 2007). Quantitative research is more involved in answering “how much, how many and how often” type of questions for the issue we are interested in (Rasinger, 2008).

There are several methods used to conduct a quantitative research such as field and laboratory experiments, the analysis of collected data in this type of research is usually performed using statistical techniques as well as formal and numerical methods which includes mathematical modeling, and accordingly the research hypothesis is proved or disproved (Myers, 2011).

4.2.2 Qualitative Research:

Qualitative research is a subjective approach which includes examining and reflecting on perceptions in order to gain an understanding of social and human activities and it's more involved in answering “why and how” rather than “what and how many” (Hussey & Hussey, 1997). This type of research was developed for the social science fields to study the social and cultural phenomena. They are designed to help us better understand people in addition to the social and cultural contexts within which they reside (Myers, 2011).

Researchers realized the limitations of quantitative approaches in the social science fields especially when it comes to the complex and confusing interactions of human behavior, interpersonal relationships, ethics, cultural

traditions, economics and politics. And due to this complexity qualitative approaches are being considered for such researches (Motley-Abbott, 2007).

The qualitative research is an inductive approach to data analysis. The inductive and deductive approaches are reflecting different ways of shifting between data and concepts, the inductive approaches tend to let the data lead to the emergence of concepts while deductive approaches tend to let the concepts lead to the definition of the relevant data that need to be collected (Yin, 2010).

The qualitative research is actually a process of knowledge production which is carried out through a variety of methods such as action research, case study research, grounded theory and ethnography. The qualitative researchers collect the required data about their researches using different sources which include observation and participant observation (fieldwork), interviews and questionnaires, documents and texts as well as the researcher's impressions and reactions (Myers, 2011).

The collected data then analyzed to generate the research output; the researcher is the key tool in the analysis process. The data analysis process begins with the initial coding, and then the initial list of categories or central ideas will be developed, and lastly the developed categories shall evolve to be concepts, consequently knowledge is produced (Lichtman, 2009).

The Table 4.1 illustrates the main differences between qualitative and quantitative researches as well as advantages and disadvantages of each one (Esteves, 2010):

Table 4.1: Main differences between Quantitative and Qualitative Researches

Qualitative Research	Quantitative Research
All researches ultimately had a qualitative grounding.	There's no such thing as qualitative data. Everything is about numbers.
The aim is a complete and detailed description in order to discover ideas and concepts.	The aim is to classify features, count them, and construct statistical models in an attempt to explain what is observed, in order to test hypothesis or specific research questions.
Researcher may only know roughly in advance what he is looking for.	Researcher knows clearly and exactly in advanced what he is looking for.
Recommended during earlier phases of the research projects.	Recommended during latter phases of research projects.
The design emerges as the study unfolds.	All aspects of the study are carefully designed before data is collected.
Researcher is the actual data gathering instrument.	Researcher uses tools, such as questionnaires or equipments to collect numerical data.
The research tends to answer the "Why and How" type of questions.	The research tends to answer the "How many and How much" type of questions.
Data is in the form of words, pictures or objects.	Data is in the form of numbers and statistics.
The research is a subjective and	The research is an objective and

inductive process, in which individual observation and interpretation of events is important.	deductive process, in which researcher seeks precise measurement and analysis of the target concepts.
Samples are small and selective (not random).	Samples are large and randomly selected in order to produce generalizable results.
Researcher tends to become subjectively involved and immersed in the subject matter.	Researcher tends to remain objectively separated from the subject matter.

In this research the required data was collected through both the qualitative and quantitative approaches. Since the research methodology has to fit the research problem; therefore the qualitative approach is selected as the most suitable method to conduct this research since it has flexible and adoptable instruments to obtain the required findings more than the rigidity methods of the quantitative approach. The qualitative methods have allowed the researcher not only to find the data he looks for, but also to locate complementary information that was relevant for the study. On the other hand the quantitative approach was used to collect supporting and supplementary information about the customers.

The research aims to develop a Franchise Package for PALTEL DATA Services for retail sales. The research starts with gathering the information about the current status of PALTEL retail sales, and then the commercial and legal terms of retail sales units are to be discussed with selected directors, managers and supervisors.

4.3 Research Instruments and Data Collection:

According to Creswell (2009) there are several methods and instruments that can be used to conduct qualitative researches which include observations, interviews, documents and audio-visual materials in addition carrying out surveys and conducting tests are the most obvious ways to conduct quantitative researches. For the purpose of this research the researcher has adopted both the qualitative and quantitative research methodologies and has used four research instruments for gathering the initial data required to develop the franchise package. The face-to-face in person (one-on-one) interviews, the focus groups, documentary researches as well as surveys are the main research instruments used to carry out this research.

- a. Semi-Structured Interviews: the researcher believes that it is important and necessary to obtain the information directly from PALTEL employees and managers. These interviews are discussions and dialogues that carried out typically one-on-one between the interviewer and the interviewee. A semi-structured interview has a formalized, limited set of questions, on the other hand, they are flexible enough allowing new questions to be brought during the interview as a result of the interviewee statements and declarations (Lindlof & Taylor, 2010). Interviews are the most reliable research instrument in order to obtain detailed information on a specific set of topics. It's crucial to provide the research with new and unknown information that would be impossible to obtain through other sources such as periodicals, publications or annual reports.

The researcher has interviewed the Marketing Director of PALTEL as well as the marketing managers. In addition the researcher has interviewed the Sales and Customer Care directors and managers as well.

The researcher was interested in the directors and managers of these directorates because they are extremely interested in such researches; the marketing directorate is the party which is primarily involved in developing new strategies and adopting new systems and approaches for the benefit of the whole company, on the other hand, the sales and customer care directorates are the parties that involved in the actual implementation of the existing and newly adopted strategies, systems and approaches.

Beside these interviews the researcher also interviewed the legal advisor of PALTEL to discuss the legal terms and conditions which are essential to take into consideration while developing the franchise package.

Many semi-structured interviews were conducted with PALTEL top and middle management, to get and understand their viewpoints regarding the Franchise Systems. The researcher has conducted prescheduled meetings with the participants in order to interview them regarding their viewpoints; all interviews were conducted at PALTEL's headquarters.

It's important for the participants to feel comfortable so that they share their information and understanding in the subject matter, it's also essential to remember that qualitative research approaches require good interpersonal relations and skills, and it's extremely

important to establish mutual trust and friendly conditions during the interviews (Speziale et al., 2010).

The researcher used his previous knowledge and relationships of the participants to establish the required friendly conditions in order to carry out the research.

- b. Focus Groups: the focus groups are a form of qualitative research in which a group of people are asked to share their perceptions, opinions, beliefs and views about a certain concept, idea, product or service. Focus groups are similar to semi-structured interviews in which the researcher asks questions in an interactive group setting and differ in that participants are free to talk with other group members.

The focus groups usually consists of 6-12 people sets who come together for approximately 1-2 hours to discuss a specific topic, the researcher role is directive in these groups to lead the discussion towards specific end (Lichtman, 2009). “The hallmark of focus groups is the explicit use of the group interaction to produce data and insights that would be less accessible without the interaction found in a group” (Morgan, 1997), this make the focus groups more efficient and much useful that the individual interviews.

Together 40 people participated in five different focus groups, the participants were asked to identify the key factors of retail sales stores, the associated conditions and procedures as well as the issues that faces the management and operational teams of these stores. One of the five focus groups was with selected PALTEL dealers, and the other four were with employees of different directorates specifically

the employees of marketing, sales, customer care, finance and training directorates.

Each focus group was started with a brief presentation about the research objectives, goals and importance. After the presentation, the researcher starts asking the participants specific questions and then the participants were engaged in an open but guided discussion so that the researcher can gather as much information as possible. These discussions are guided with the questions asked by the researcher during each session. All new reasonable branches that resulted during the focus groups was noted and taken into considerations as well.

At the end each interview or focus group, the discussion main points that the participants agree on were transcribed, listed and summarized, then each participant was given the chance to review and confirm the draft before being translated into English.

- c. Documentary Research: The research used the documents available about PALTEL in the form of periodicals, publications and annual reports. The documentary research is important to provide different perspectives from different information sources. On the other hand, the researcher scanned multiple information sources are available on the internet for franchise development. Among the several available sources for research are:
 - The International Franchise Association “IFA”: the IFA’s official website, www.franchise.org, is considered as a one-stop information source for worldwide franchising, there are a comprehensive franchise information available ranging from

the basic “how to’s” to the advanced international regulatory and legal information available out there.

- The Federal Trade Commission “FTC”: the FTC business center website, www.ftc.gov, gives the necessary tools needed to understand and comply with the standards out there in all trading issues. From the FTC website the researcher gets the Franchise Rule compliance guide which is officially enforced by the US Federal Law on all franchised businesses in the United States of America.
- Australian Competition & Consumer Commission “ACCC”: The ACCC is an independent statutory authority, formed to administer the Competition and Consumer Act. One of its primary duties is to regulate the national infrastructure industries including the franchising systems. Through the ACCC website, www.accc.gov.au, the researcher gets the Franchise Code of Conduct compliance manual for franchisors and master franchisees, which provides the guidance on how to comply with the Franchise Code in addition to the minimum business conduct and disclosure requirements under the Franchise Code.

As a researcher in such relatively new area of business in our country, and due to the lack of national rules and regulations for this vital topic, it was important to align PALTEL Franchise Package which is generated as an output of this research with a tested and proven framework that is complied with the international standards.

- d. Customers' Satisfaction Survey: A survey as seen in Appendix 3 was designed to assess the relation between the overall customers' satisfaction and the main parameters as identified during the interviews and focus groups (section 7.2.5). The hypothesis of the survey is that all of the seven identified parameters contribute positively to the overall customers' satisfaction from the viewpoint of this research.

A random sample of a thousand customers has been taken to conduct the survey. The survey was developed in coordination with the associated parties and it's intended to measure the customers' satisfaction responses of the current status.

4.4 Validity:

The most important key for an effective and successful research is the validity of its data. The validity is a main requirement in qualitative researches; the data accuracy can be verified through cross-checking (Cohen & Manion & Morrison, 2007). Researchers argue that some qualitative researches are better than others, the term validity or trustworthiness is usually used to refer to this difference in quality. When researchers talk about qualitative research validity, they mean that the research is plausible, credible, trustworthy and thus defensible (Johnson & Christensen, 2009).

Since the qualitative research involves working with text and images, researchers can't simply measure the validity of the data through calculations as in quantitative researches. On the other hand, there are several ways to ensure the validity and credibility of the qualitative

research data, perhaps the most important concept in establishing the validity and credibility in qualitative researches is the triangulation concept (Hair et al., 2011).

There are four different types of triangulation in qualitative researches, and they can be summarized as the following:

- Research Triangulation, which involves the analysis and interpretation of multiple researchers on the same team, and especially if they come from different backgrounds.
- Data Triangulation, which requires collecting data from different data sources or at different times.
- Method Triangulation, which involves carrying out the research by different means and comparing the findings, this might also include findings from both qualitative and quantitative researches.
- Theory Triangulation, which is using multiple perspectives and theories to interpret and describe the data.

Qualitative researchers can't use all four types of triangulation at once in a single research, but they should know them all to be able to apply the most suitable one of them (Hair et al., 2011).

For the purpose and scope of this research, the researcher used the method and data triangulations to verify and validate the research data. The data of this research has been collected from different sources and at different times using different methods. For instance the data collected from the semi-structured interviews has been cross-checked with the focus groups data as well as the data collected from the literature review.

Clarification of Potential Researcher Bias:

It's important to acknowledge and manage the researchers' biases specifically in qualitative researches in which the researcher is the research instrument of collecting data (Thomas et al., 2005).

It's important to note that the researcher has been a part of the business process, and he has brought his own ideas, opinions and thoughts into this research results as being involved in the research interviews and focus groups as a data collecting tool and research instrument. As previously mentioned the researcher is part of the organization being studied, precisely in the marketing directorate of PALTEL.

The researcher acknowledges that his previous opinions and viewpoints about successful and effective franchise systems might lead him to focus on concepts, thoughts and ideas that are consistent with the general framework of the research.

The researcher ideas and opinions as well as his experience in PALTEL were used to conduct this research; therefore, it was crucial for him to keep observing his bias through the interviews and focus groups sessions, and keeping this bias away from affecting others' opinions.

4.5 Reliability

Reliability of qualitative research is usually referred to it using different terms such as credibility, neutrality, consistency, applicability, trustworthiness, transferability and particularly dependability. In qualitative researches reliability can be measured as the degree of fit and conformity between what the researcher records as data and what actually occurs in the interviews and focus groups with the participants, in addition to, the

accuracy and comprehensiveness of coverage (Cohen & Manion & Morrison, 2007).

In this research, the researcher has transcribed the interviews and focus groups dialogues and discussions and reviewed the content of these transcripts with the participants to ensure that everything is transcribed as it should be.

Reliability of a quantitative research is considered to be a measure of dependability, consistency and replicability over time, tools and respondents. The internal consistency reliability is used to check the data reliability for the customers' satisfaction survey. The internal consistency reliability is defined as the consistency of the results delivered in the survey, ensuring that the various items measuring the different aspects deliver consistent data. In other words the internal consistency reliability is a measure of how well the survey addresses different aspects and delivers reliable data.

The most common way to measure the internal consistency is the Cronbach Alpha (Coefficient Alpha); excellent internal consistency reliability is indicated by Cronbach alpha of 0.90 or more, good internal consistency reliability is indicated by Cronbach alpha of 0.80 and below 0.90, Cronbach alpha of 0.70 and below 0.80 is considered to be accepted and everything below 0.70 is considered to be poor (Rubin, 2011).

Consequently, the Cronbach alpha coefficient is calculated using the SPSS for the collected data through the survey, the Cronbach alpha for all items was 0.86 which is considered to be good coefficient. The SPSS output can be found in Appendix 4.

4.6 Data Analysis

During each semi-structured interview and focus group the dialogues and discussions of each session were transcribed and at the end of each session the collected data was listed and summarized into main points. After each session the summarized data was reviewed and analyzed by grouping up similar opinions and agreements and summarizing it into main points to form the key arguments of the research. The key points and arguments collected from both interviews and focus groups were compared to each other from one hand. On the other hand, the data was projected and coupled with the information collected from the documentation sources.

The survey data was collected from over a thousand respondents, precisely 1017 respondents, after that the data is entered and analyzed using SPSS to create the statistical relations, frequency tables and various coefficients. All data related graphs are generated using Microsoft Excel. Results of the analyzed data and its related discussion can be found in Chapter 7. The SPSS output can be found in Appendix 4.

4.7 Limitations of the Study:

The most serious limitation of this study was during the data collection phase, and it was manifested in some of the participants' unwillingness to share information regarding some aspects of the sales or contracting attributes due to competition reasons as this information is considered to be classified. In addition to that participants were unwilling to share financial information and consider it confidential due to competition reasons as well. Also the lack of expertise and knowledge for some of the participants in the subject matter was a limitation in conducting this research. Despite all

these constraints and limitations, the researcher has obtained sufficient and valuable information enabled him to conduct the study appropriately.

4.8 Conclusion:

This chapter illustrates the methodology used to conduct this research; it includes a description of the qualitative approach, research instruments and data collection methods used throughout this study to gather the required data. In addition, this chapter also discussed the validity and reliability of the collected data and how it was collected and analyzed. At the end, this chapter describes the limitations and obstacles faced by the study.

The next two chapters, chapters five and six, will introduce the findings of the research in a formalized way of presenting a franchise package, and that is the Franchise Disclosure Document and Franchise Agreement.

Chapter Five
The Franchise Package

Chapter Five

The Franchise Package

5.1 Introduction:

This chapter in addition to following chapter represents the actual findings of this study after conducting a comprehensive analysis of the collected data and properly coupling it with the information collected from the documentation sources.

A franchise system is a business model that allows an investor to purchase the right to use the brand, products and services, business structure and operational standards of a certain company. Using this business scheme allows the franchisee to take full advantage of the franchisor's experience in running and operating the business; on the other hand this scheme allows the franchisor to expand faster with reduced capital investment, reduced risk and most importantly with a motivated management for the franchised units. This chapter will discuss and illustrate the highlights of PALTEL Data Franchise in terms of elements needed and required to setup and run a successful franchise.

At the core of any successful franchising system is a prescribed system that ensures the consistency, stability and quality control throughout the whole franchise network. The administration of such system requires effective and comprehensive documentation that must be provided at the beginning of the relationship and on an ongoing basis. The documentation that is required to properly manage and run the franchise system shall include the operating systems and procedures, operational manuals for franchisee's management and staff as well as for franchisor's headquarter, field and

other support staffs, training programs for all system contributors, marketing programs used to attract and retain the retail and system customers as well as to recruit franchisees and last but not least the franchise fees structure.

5.2 The Franchise Disclosure Document:

According to the international standards (FTC, 2008), the most important document of all is what's called a franchise disclosure document "FDD" which was previously known as the Uniform Franchise Offering Circular "UFOC"; it's a legal document that is presented to the franchise buyer. This disclosure contains extensive information about the franchisor and its franchise which intended to give the potential franchisees the complete information to take the correct decisions about their investments. The FDD consists of a cover page, a table of contents and 23 categories called items.

The next section will illustrate PALTEL DATA Franchise package in the form of the franchise disclosure items.

5.3 "PALTEL Data Services" Franchise Disclosure Document:

5.3.1 ITEM 1: THE FRANCHISOR, PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor:

For the sake of simplifying the terminology of this franchise offer, "PALTEL", "We", "us" and "Our" means the Palestinian Telecommunications Company – PALTEL, The Franchisor. "You" means

the person who buys the franchise. And in case of you were a business entity then “You” includes your owners as well.

We conduct business under the name of Palestine Telecommunications Company “PALTEL”. Our principal business address is Rafedia Main Street, Nablus, Palestine. Our corporate parent is PALTEL Group. Its principle business address is Jawwal Headquarters building, Al Balou, Ramallah, Palestine.

We are the national telecommunications provider in Palestine. With the pace of technology rapidly changing, PALTEL today leads Palestine into the new era of communications through its state-of-the-art technology and advanced services.

PALTEL offers a range of services including local and international telephone services, internet, data communications, value-added services, payphones, and next generation services in addition to creating the backbone for other related telecommunication services.

The company has an exclusive License Agreement with the Palestinian National Authority (PNA) to develop the telecom sector. PALTEL commenced operations on January 1, 1997 with paid capital of JD 45 million, which further increased in 1999 to JD 67.5 million (\$95 million), and currently PALTEL capital reaches JD 131,625 million. We’re currently own and operate 21 show rooms, each of which is located in urban main areas and is located on major streets of each governorate of West Bank and Gaza Strip.

PALTEL is a public shareholding company listed on the Palestine Securities Exchange. Its shareholders include a range of institutional and individual investors with about 7668 shareholder at the end of Dec. 2010.

The franchise is for the operation of a retail business that is specialized in data and internet based services, devices and accessories, which contain among other services the sales, installation and repair of data and internet based telecommunications services such as VoIP services. In addition you as a franchisee may engage in the sale of personal telecommunication devices, accessories and any other form of wireline communication services. You will operate your store according to the system that is established by PALTEL for the development and operation of PALTEL outlets and showrooms. There are no specific industry regulations that govern the operation of your store. However, you will have to comply with the laws and regulations that apply to the business generally, which include having a license from the Ministry of Commerce as well as the license from the Ministry of IT and Telecommunications and other needed licenses from the Municipality, Chamber of Trade and other local authorities.

You will be limited in the offering of telecommunications services to those authorized by PALTEL and used by all of its franchisees in each geographical area served. In geographical areas that PALTEL doesn't have an established franchisee, PALTEL may put in place sub-dealers in order to maintain and increase the customers' base in such areas. These sub-dealers will generally provide limited services to the customers and also entitled to receive a limited backup and support in terms of the operations and management issues. When these areas that contains any sub-dealers comes under a franchise agreement with PALTEL franchisee, then PALTEL may, in the exercise of its exclusive and sole business judgment, assign or transfer the sub-dealer to the franchisee or continue the sub-dealer as a sub-dealer of PALTEL directly, taking into account the appropriate changes and amendments to the franchise agreement.

5.3.2 ITEM 2: BUSINESS EXPERIENCE

General Manager: Abdul Majeed Melhem

Mr. Melhem was appointed as director general of PALTEL on August 1st, 2010. With more than twelve years of experience in the telecommunications sector, Mr. Melhem occupied several administrative positions before he joined the Paltel family. He was the Head of Wholesale Department at Paltel Group. And at the beginning of 2006; he held the position of Sales Manager at Jawwal Company, where he supervised the operation of Corporate and VIP Sales Department, the Exhibitions Department, Distributers' Sales Department and the Sales Operations Department, and was able to implement clear strategies to deliver the products and services of Jawwal to all of Palestine's retail and wholesale consumer base.

Marketing Director: Ibrahim Kharman

As of August 2010, Mr. Kharman has been working for Paltel Telecommunications Company as Marketing Director. Prior to that, Mr. Kharman worked for Paltel Group for three years as Project Management Office Director, managing the group's corporate strategic projects. Before joining Paltel Group and its subsidiaries, Mr. Kharman filled several positions in different local and international companies including; senior project manager with VTEL Holdings, and software team leader with Siemens-ICT. Mr. Kharman has more than fourteen years of professional experience in ICT with local and international companies, where he specialized in different areas, including Marketing strategic project management and business transformation.

Sales Director: Issa Duibes

Mr. Duibes is the sales director since January 2011; he joined PALTEL family to manage the different sales channels before he fills his current position. With more than 7 years in the telecommunication sector Mr. Duibes occupied many positions in his career life, and in 2009 he was the dealers and distributors manager at Jawwal and before that as was in the sales operations department.

Customer Care Director: Mahmoud Jallad

Mr. Jallad joined PALTEL family since 2005; before he was appointed as customer care director in January 2011, he previously held several positions including director of sales and retail sales manager and customer care support supervisor.

Dealers Manager: Mohammad Jaar:

Mr. Jaar joined PALTEL in 1998 as an accountant in the financial department; during his career he was included in several positions within the financial department including the sales bookkeeping and accounts. He joined the sale directorate on September 2010 as the dealers' department and he is responsible of keeping and maintaining relations of PALTEL dealers' chain that spans West Bank and Gaza Strip.

5.3.3 ITEM 3: LITIGATION

No litigation is required to be disclosed in this disclosure document.

5.3.4 ITEM 4: BANKRUPTCY

No person or entity previously mentioned in Items 1 and 2 of this disclosure document has been involved as a debtor in proceedings under the Palestinian bankruptcy code which required to be disclosed in this item.

5.3.5 ITEM 5: INITIAL FRANCHISE FEES

The following is an illustration of different initial franchise fees with their payment terms and requirements:

Table 5.1: Different Types of Initial Franchise Fees

Type of Initial Franchise Fees	Amount	Notes
New Start up franchisee	JD 15,000	
Existing telecommunication business that doesn't sell PALTEL products and services and converts to PALTEL Franchise.	JD 7,500	
Existing telecommunication business that sells PALTEL products and services and converts to PALTEL Franchise.	JD 2,500	
For an additional store location	JD 1,500	
Enclosed mall unit (In-Line Store, Kiosk, Cart)	JD 5,000	

Terms and Conditions:

- a. Initial franchise fee is to be paid in full at the signing of franchise agreement.
- b. PALTEL may offer installment payment terms for up to 50% of the initial franchise fees, payment of the amount financed will be

payable in 12 monthly installments, the first payment is due at the execution of the franchise agreement and the balance in 11 successive monthly payments. These monthly payments will be made through deduction from monthly commissions which PALTEL pays to you; provided that your monthly commissions is greater than the monthly installment due otherwise you will pay the difference in cash, no later than the first day of the month that the payment is due.

- c. The above mentioned initial fee covers the cost of converting only store within a single protected territory into PALTEL franchisee.
- d. The additional store location is a new location within an existing franchisee's protected territory.
- e. In case you acquire an additional PALTEL franchise outside your protected territory, the initial fee is JD 7,500 and you'll sign a separate franchise agreement for this new location.

Grand Opening Fee:

Once the franchise agreement is signed, you may be required to make a payment of JD 4,000 as your grand opening advertising fee. PATEL may offer to finance this fee for 6 months period.

Opening Product Inventory:

Prior to your store opening you will be required to purchase opening product inventory from PALTEL at a cost between JD 5,000 and JD 20,000. PALTEL doesn't offer any financing for your opening product inventory. This amount is to be paid prior to the products delivery.

5.3.6 ITEM 6: OTHER FEES

The list below shows various recurring fees which you will be required to pay:

Table 5.2: Other Fees

Type of Fee	Amount	Due Date	Notes
Royalty on Sales	5% of Gross Sales.	Payable monthly on the 10 th day of the next month.	Gross sales limited to sales of products and services not covered under any commission program.
Advertising	2% of Gross Sales.	Payable monthly on the 10 th day of the next month.	This is to cover the local advertising in your protected territory. Advertising details are found in Item 11.
Audits	Cost of audit plus a penalty 15% of underpayment.	10 days after the audit process.	Payable only if the audit shows an underpayment of at least 3% of gross sales of any month.
Transfer Fee	JD 7,500 in effect at the time of transfer.	Before date of actual transfer for the new franchisee.	PALTEL approval and payment of all due amounts to PALTEL is a precondition of transfer. No fees required if the

			franchise transferred to a company you control.
Renewal Fee	JD 2,500 for the main location. JD 1,500 for each additional location. JD 2,500 for enclosed mall units.	3 months before expiration of franchise agreement.	You must sign the current form of franchise agreement.
Onsite Training	You'll receive free onsite training for 10 days. JD 200 for each additional day plus expenses.	Upon billing.	Upon your request we'll send you our team to assist you in the operation and management of your store, after the initial mandatory training program is completed.

5.3.7 ITEM 7: ESTIMATED INITIAL INVESTMENT

Table 5.3: Estimated Initial Investment

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise	JD 1,500 –	In full or	At signing	PALTEL.

Fee ^a	JD 15,000.	maximum of 50% financed over 12 months.	of franchise agreement.	
Travel and living expenses while training	JD 150 – JD 250. Per Person.	In cash or credit cards.	During the training.	Hotels, Restaurants, and transportations.
Real estate and improvements ^{b, c}	JD 7,000 – JD 15,000.	In Full or as installments over 12 months.	Right after the signing of the franchise agreement.	Property owner, different vendors and PALTEL.
Business equipment and supplies ^d	JD 5,000 – JD 10,000.	In Full or as installments.	Prior to opening.	Different vendors, PALTEL.
Computer equipments ^e	JD 2,000 – JD 3,500.	In Full or as installments.	Prior to opening.	Different vendors, PALTEL.
Signs and displays ^f	JD 2,000 – JD 5,000.	In Full or as installments.	Prior to opening.	Different vendors, PALTEL.
Miscellaneous opening costs ^g	JD 2,000 – JD 6,000.	In Full or as installments.	Prior to opening.	Suppliers, Utilities,

				etc.
Grand opening advertising^h	JD 3,000 – JD 5,000.	In Full or as installments.	Prior to opening.	Different vendors, PALTEL.
Opening product inventoryⁱ	JD 5,000 – JD 20,000.	In full or maximum of 50% financed over 6 months.	At opening.	PALTEL.
Additional funds for 3 months^j	JD 2,000 – JD 5,000.	In cash.	At opening.	Different vendors, suppliers, employees, etc.
Total^k (Excluding cost of real estate)	JD 29,650 – JD 84,750.			

Terms and Conditions:

- a. As mentioned earlier in Item 5, PALTEL may offer installment payment terms for up to 50% of the initial franchise fees.
- b. In case you don't own an appropriate store to operate your franchise, you must lease one. Typical locations are 25 to 50 square meters. Rent is estimated to be between JD 2500 to JD 5,000 per year

depending on many factors such as location, size and condition of the leased property.

- c. Real estate improvement may include completion of interior walls and sections, painting, carpeting, doors and various décor items. This would also include material cost and labor for kiosks, in-line store or carts in case of enclosed mall units.
- d. Business equipment and supplies may include furniture, conditioning, emergency power generator, fax and copy machines, telephones and many more.
- e. You have to purchase appropriate computer equipment in order to operate and manage your store effectively and so that you can connect to PALTEL systems to insert and activate sold accounts. Item 11, lists the specific minimum requirements of the needed hardware and software you need to purchase.
- f. Signs and displays specifications and designs are completely provided by PALTEL. The entire cost of signage is your sole cost; however PALTEL may provide and install all or some signs for your store. Signage may require prior approval from the local authorities and municipalities. In case of your store closes for any reason you're responsible to remove all signage at your cost and return it back to PALTEL.

Displays may cost JD 2,000 each and the cost is at your sole expense, however PALTEL may offer to provide the displays for your store. In case of your store closes for any reason you're

responsible to remove all displays at your cost and return it back to PALTEL.

If you use the signs, displays and/or kiosks approved and provided by PALTEL in the operation of your store, at no cost to you, these materials remains property of PALTEL.

PALTEL will follow up with you step by step while you prepare your store's décor. Our team will provide you with various layouts and ideas to arrange both indoor and outdoor store elements.

- g. The miscellaneous opening costs include incorporation expenses, attorney fees, various utilities and security deposits.
- h. Same as mentioned in Item 5, open product inventory is payable in full prior to the delivery.
- i. Additional funds you need to have in the first three months are estimated based on the rent, inventory and employees payroll costs. These figures are only estimates and PALTEL can't guarantee that you will not have additional expenses in starting up your business. Additional expenses will depend on factors such as your management skills, business intelligence, local economic conditions, local market for data communication services, the normal rate of wages, competition and the sales volume reached within the first three months.
- j. PALTEL provides these estimates based on its experience in managing, running and operating stores and outlets all over Palestine. At all times you have to keep reserved cash to cover all expenses during the startup and development stage and beyond. This

reserved amount greatly varies from franchisee to another and it depends on many factors, including the demographic and economic conditions of the area in which your store resides, the presence of other PALTEL franchisees, the public awareness, your ability to operate effectively under the terms and conditions of PALTEL's recommended methods of doing business and competition. We strongly urge you to make use of an experienced accountant services so that you can keep track of your business plan along with your financial projections.

5.3.8 ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Following to the terms and conditions of your franchise agreement, you have to purchase all of your equipments and inventory as indicated, specified and instructed by PALTEL via the operational manuals, emails or any other form of written correspondence. Supplier approval is based on its ability to meet PALTEL specifications, standards and quality level. Through experience and research, PALTEL has selected specific brands and models for each item allowed to be offered at your store.

Products and services that solely provided by PALTEL, you need to get them directly from PALTEL. Other products that include communication devices, accessories, repair materials and other products that are not listed in PALTEL's product catalog, you have the option of purchasing them from PALTEL or from an equal quality supplier of your own choosing.

If you wish to sell products and services that were not previously authorized by PALTEL, then you have to provide information about these

products or services along with the supplier information and details and any other reasonable details PALTEL may request.

PALTEL may require and mandate the use of specific equipment in conjunction with its provided services such as the use of a certain encryption protocol or mode specific equipment. You must comply and fulfill these requirements, as well as any requirements for equipment configuration, installation and maintenance.

PALTEL is driving revenue from your purchases of products and services. Thus sales targets will be assigned to you depending on your area, the addressable market, services penetration and other factors. Sales targets are tied to tempting incentive and commission schemes.

You will be subject to termination if you use or sell products and services of any PALTEL competitor, or you use products and services that are not authorized by PALTEL.

The requirements stated in this item and others, represent the franchise system at the present time. However, PALTEL reserves the right to change these requirements as the franchise system evolves over time and thus the needs of system changes.

5.3.9 ITEM 9: FRANCHISEE'S OBLIGATIONS

The table below lists your main obligations and responsibilities under the franchise and other agreements. It will help you find more detailed information about your obligations and commitments in these agreements and in other items of this disclosure document.

Table 5.4: Franchisee's Obligations

Obligation	Section in agreement	Disclosure document item
a. Site selection and acquisition / lease	Sections 6.2.1.4 and 6.2.4 of Franchise Agreement	Items 6 and 11
b. Pre-opening purchase / leases	Sections 6.2.4 and 6.2.10.2 of Franchise Agreement	Item 8
c. Site development and other pre-opening requirements	Section 6.2.4 of Franchise Agreement	Items 6, 7 and 11
d. Initial and ongoing training	Sections 6.2.9.1, 6.2.9.2 and 6.2.9.3 of Franchise Agreement	Item 11
e. Opening	Section 6.2.9.4.b of Franchise Agreement	Item 11
f. Fees	Sections 6.2.6.1, 6.2.6.2 and 6.2.7.1 of Franchise Agreement	Items 5 and 6
g. Compliance with standards and policies/operating manual	Sections 6.2.10.1, 6.2.10.2, 6.2.10.3 and 6.2.10.11 of Franchise Agreement	Item 11
h. Trademarks and proprietary information	Section 6.2.3 of Franchise Agreement	Items 13 and 14
i. Restrictions on	Section 6.2.10.2 of Franchise	Items 8 and 16

products / services offered	Agreement	
j. Warranty and customer service requirements	None	None
k. Territorial development and sales quotas	Section 6.2.1.8 of Franchise Agreement	Item 12
l. Ongoing product / service purchases	Section 6.2.10.2 of Franchise Agreement	Item 11
m. Maintenance, appearance, and remodeling requirements	Section 6.2.10.5 of Franchise Agreement	Item 11
n. Insurance	Section 6.2.10.4 of Franchise Agreement	Items 7 and 8
o. Advertising	Section 6.2.7 of Franchise Agreement	Items 5, 6 and 11
p. Indemnification	Section 6.2.17.4 of Franchise Agreement	None
q. Owner's participation / management / staffing	Sections 6.2.10.3, 6.2.10.10 and 6.2.10.11 of Franchise Agreement	Items 11 and 15
r. Records and	Sections 6.2.10.7, 6.2.10.8 and	Items 6 and 11

reports	6.2.11 of Franchise Agreement	
s. Inspections and audits	Sections 6.2.10.6 and 6.2.11.3 of Franchise Agreement	Item 17
t. Transfer	Section 6.2.12 of Franchise Agreement	Item 17
u. Renewal	Section 6.2.5.2 of Franchise Agreement	Item 17
v. Post-termination obligations	Sections 6.2.15.6, 6.2.16.1 and 6.2.16.2 of Franchise Agreement	Item 17
w. Non-competition covenants	Section 6.2.16.1 of Franchise Agreement	Item 17
x. Dispute resolution	Section 6.2.17.7 of Franchise Agreement	Item 17

5.3.10 ITEM 10: FINANCING

In case you meet PALTEL credit standards and following to the evaluation of your business case and feasibility study, PALTEL may finance up to 50% of your initial franchise fees for 12 months, and up to 50% of your opening product inventory for 6 months and 100% of your grand opening fees for 6 months without any interest. PALTEL may also finance or completely subsidize the cost of your kiosk, store displays and signage at a maximum of JD 10,000 depending on your business case and the amount of products and services you commit to sell within the next 12 months.

Your business case and feasibility study will be reviewed by PALTEL Finance and Marketing departments to assure its validity financially and commercially. These two departments will have together the business judgment on your case, the decision whether or not PALTEL will support you financially along with determining the assistance amount will not only relies on the financial terms alone it will also depend on the projections, plans and area dynamics you choose to operate your store.

All your financed amounts will be without any interest; however delayed payments may be subject to fines and penalties which could reach up to 25% of the delayed amounts in addition PALTEL reserves the right to terminate your franchise if you don't make your payments on time for more than two times during the terms of the financing program. Along with that PALTEL reserves the right to deduct from commissions due to you all amounts payable for purchases and other funds due by you to PALTEL.

PALTEL will evaluate and provide financial support on a case by case basis and it's not a mandatory obligation, this is also requires not getting any support for funding from other public or non-governmental organizations.

Except these mentioned above, PALTEL doesn't offer or arrange any direct or indirect financing. PALTEL does not offer financing that requires you to waive notice, confess judgment, or waive a defense against PALTEL.

5.3.11 ITEM 11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, PALTEL is not required to provide you with any assistance.

Pre-Opening Assistance:

Our help to you will start before you open your business store, PALTEL will:

- a. Designate and assign a protect territory (Item 12) for you exclusively and will assist you in the evaluation of a suitable location (Franchise Agreement – Sections 6.2.1.4, 6.2.1.5 and 6.2.4), with regards to the area demographics, demand projections, competition conditions, physical characteristics and visibility of the proposed location.
- b. Provide you with written specifications for store constructions, decorations, required equipments, inventory and supplies.
- c. Give you a copy of the Operations Manual in which you'll have all the details associated with running your store.
- d. Hold training sessions for you and your team so that you can properly manage and operate your store.

Post-Opening Assistance:

We will continue supporting you in your business after the opening, during the operation of your store:

- a. PALTEL will develop new products and services and provide you with the information about these developments once it's ready.
- b. PALTEL may hold sessions, from time to time, to enrich your information about its products and services. This will be along with regular meetings that PALTEL would hold for marketing purposes in order to update you about procedures, marketing programs and campaigns and other information. These events would be arranged without any cost at you but however you have to bear the cost of

travel for you and any of your employees (Franchise Agreement – Section 6.2.9.4). Attending these events will be mandatory for you, and penalties may be imposed for non-attendance of a pre-scheduled event.

- c. PALTEL will provide you with the post-opening assistance and directions as we see it suitable and appropriate (Franchise Agreement – Section 6.2.9.4). This assistance might include for instance, merchandising and technical assistance (which could be online or by phone), performance standards, onsite visits, bookkeeping, accounting, inventory control, return privilege and stock rotation, volume discounts on advanced payments and many more.

Advertising:

PALTEL in the exercise of its sole and exclusive business judgment will set products and services targets, promotions and campaigns. PALTEL, itself, will determine the media, content, format, design, style, timing, distribution and all other related matters to advertising, public relations, promotional campaigns and materials (Franchise Agreement – Sections 6.2.7.1 and 6.2.7.2). Currently PALTEL publishes its commercials using newspapers, billboards, flyers, posters, brochures, bill inserts, voice messages, MMSs, SMSs, radios, Televisions, online advertisements and many more.

PALTEL may provide you with all or may be some of the advertising materials for you own store for a particular campaign, product or service. We might also provide you with the electronic version of these materials so that you can reproduce it at your own cost on the recommended materials. You may also develop advertising materials and commercials for your own

use at your own cost after getting PALTEL written approvals in advanced for these materials, you only may publish your materials within your protected territory, unless you have received otherwise in writing. Wherefore, all online advertisements and commercials for all PALTEL products and services must be posted by PALTEL only.

Advertising placement and publication is usually carried out through advertising agencies on behalf of PALTEL nationwide; however, your assistance may be required in the process of advertising placement especially when selecting the proper locations in your protected territory.

There is no obligation to make special expenditure to benefit any particular franchisee, or for any particular market, or a certain geographical area or even on proportional basis.

Computer Requirements:

You need to purchase and install a computer system with an internal network and internet connection to use in the operations of your store, to access online products and services information, to submit and activate user accounts and subscriptions, to issue and collect bills, and to follow up trouble tickets of your customers and many more functions. The following list contains the recommended components you need to have so that you can properly operate your store:

- a. Hardware:
 - Processor: Intel® Core 2 Duo E7400 (2.8 GHz, 3 MB L2 Cache, 1066 MHz FSB), or better.
 - Memory: Dual channel; 2 GB DDR2, expandable to 4 GB, 2 slots, 667 MHz, or better.

- Storage: Hard drive 160 GB 7200 rpm SMART III Ultra ATA/100, or better.
 - Optical drive: 48x/32x CDRW/DVD-ROM Combo
 - Display: 17-inch diagonal TFT display, 1024 x 768 resolution, preferably touchscreen, or better.
 - Graphics: Integrated Intel Graphics Media Accelerator 3000, or better.
 - Communications / NIC: Ethernet card, 10/100/1000 NIC, with WOL and network bootable support, or better.
 - Input Devices: PS/2 or USB Keyboard and mouse.
 - I/O ports and connectors: USB 2.0 ports, RS-232 (COM) ports, RJ-45/NIC, PS/2 port for keyboard; parallel port, VGA connector, audio line out, and microphone in.
 - Printer: Laser Jet black and white printer, or better.
 - Power: Uninterruptible power supply 1500 VA, or better.
- b. Software:
- Operating System: Microsoft Windows XP Home or Professional with Service Pack 4, or later.
 - Applications: Microsoft Office 2007, Adobe

Acrobat 7.0, or better.

- Antivirus: Microsoft Security Essentials, or better.
- Customer Relation Management: PALTEL CRM Application.
- Point of Sale: PALTEL POS application.

- c. POS Hardware:
- Customer-facing Display (VFD): 2 line x 20 character display, RS-232 (COM) interface, supports complex character set and control commands.
 - Magnetic stripe reader: Multi-track (3), conforms to ANSI/ISO 7810, 7811 1/5, 7812, and 7813; supports OPOS and JPOS driver layers; 3 tracks: IATA, ABA, THRIFT; bi-directional swipe.
 - Laser Barcode Scanner: Fast performance with 100 scans per second.
 - Thermal Receipt Printer: Two color and monochrome thermal printing, 74 lines per second with build-in memory for store logos, offer promotions, highlight sales items and coupon numbers.
 - POS Keyboard with 60 programmable keys.
 - Heavy Duty Cash Drawer.
- d. Services:
- Broadband Access Line (Bit Stream Access) –

2 Mbps 1:24, or better.

- Internet Connection – 2 Mbps 1:24, or better.
- Virtual Private Network “VPN” Line.

The estimated cost for the computer equipments including the Point of Sale “POS” hardware is estimated to be between JD 3000 – JD 8000. The cost of the computer equipments is really depends on the setup, number of workstations, brands and many more. Usually the computer equipments have 1 to 3 years warranty and it needs hardware upgrades and software updates from time to time to meet the technological enhancements and security guidelines, all these upgrades and updates require additional cost.

After you have the computer equipments up and running, PALTEL will send its representative to setup and configure the security parameters, install and configure the PALTEL Customer Relation Management solution “CRM” in addition to PALTEL Point of Sale “POS” software. You’ll have these applications with all its associated updates without any cost of you. In addition a Virtual Private Network “VPN” account will be installed for you at no cost to secure the transactions between your store and PALTEL, this account is to be used by all the franchise related applications to securely communicate PALTEL’s datacenter applications and databases. Using this computer system PALTEL will have the ability to fully access all records and information created using it, knowing that this information is securely synchronized to PALTEL center on regular basis for backup and processing. On top of this you’ll be given an email account at PALTEL’s systems specially designed for franchisees and you’ll be required to use this account for official correspondences and circulations.

Operating Manual:

PALTEL will provide you with a copy of the operations manual, in which you'll have the standard specifications and procedures to fully operate your business as recommended by PALTEL. All updates of this manual will be delivered to you if any changes are made in the franchise system (Franchise Agreement – Section 6.2.10.1).

Training Program:

PALTEL will provide you and any of your employees with operational, sales and promotional training program to prepare you for the management and operation of your store. This training is going to be conducted at least twice a year at PALTEL premises to give you the experience needed to successfully manage and properly operate your store. PALTEL doesn't charge you for this training; however you have to pay for the travel and living expenses for the participants (Franchise Agreement – Sections 6.2.9.1 and 6.2.9.2).

Currently our training program is divided into 3 major parts:

- a. Training at PALTEL's premises.
- b. Training at a PALTEL's outlet or at a franchised store.
- c. Training at your own franchised store.

The training program is specially designed for new franchisees of approximately 80 hours over two weeks; this training includes store management, products and services training, marketing strategies training, sales techniques, floor management and public relations. You and maybe any of your employees will need to attend this training and be certified by PALTEL training department as a prerequisite of opening your store.

A special part of the training sessions will be dedicated to the use of PALTEL special applications associated with the sales actions which are the CRM and POS including the connection and synchronization actions with PALTEL's datacenter.

Anytime and after you complete your mandatory training program, you might request additional onsite training for you store operations, sales and even management. You will be charged a fee of JD 200 per day in addition to the cost associated with the travel and living for PALTEL representative during the training required.

5.3.12 ITEM 12: TERRITORY

You will get a protected territory along with your franchise agreement; this area will be your own exclusive trade area which you only may operate 1 store from which you will conduct onsite retail sales, direct sales and telemarketing unless you're acquiring an additional location or converting existing stores into the franchise as per Item 5.

PALTEL will not operate any retail stores or grand any other franchised retail store within your protected territory which will be defined by governorate, city, locality, quarter, street, shopping mall and other census labels as defined by the Palestinian Central Bureau of Statistics "PCBS". However PALTEL reserves the right to retain any dealer or to keep any outlet previously established in your protected territory as mentioned earlier in Item 1. The enclosed mall units will have the mall location itself as protected territory. Protected territories will vary in their sizes and population density; you'll get a map with a description for the suggested area before you sign the franchise agreement.

You may not do any business outside your exclusive area in any way or form of online media or ecommerce; however you may accept orders from outside your area without any consequences and payments to other franchisees. PALTEL has its own ecommerce portal by which all online customers and buyers will be distributed through it accordingly, however PALTEL reserve the right to redirect or reallocate any customer that was acquired by its online services to any franchisee as it deems appropriate.

In case a protected territory had exhibitions, conferences and other similar activities, then these activity sites are excluded from the protected territory definition, as well as the enclosed malls themselves are also excluded from the protected territory definitions whether it now exists or will arise in the future and considered by itself a protected territory; PALTEL reserves the right to itself and/or to PALTEL franchisees to operate their stores, kiosks, in-line stores and/or carts in these enclosed shopping malls.

You don't have the right to acquire additional franchise location within your protected territory unless you have minimum of 1 year of operating experience and you are in good standing with clean credit records, then PALTEL might grand you the approval to acquire 1 or more additional locations after the payment of JD 1,500 as the initial franchise fee and signing the franchise agreement for each additional location. The franchise agreements for these additional locations expire at the same date of the main franchise agreement and with this additional location your protected territory remains the same and don't get a new one or expand the existing.

There are a minimum number of monthly sales you need to achieve in order to keep your franchise (Franchise Agreement – Section 6.2.1.7). This assigned target may vary from location to another, depending on the

demographic factors of your protected territory. PALTEL will evaluate the quarterly targets on average per month and in case you fail to achieve your assigned target PALTEL reserves the right to terminate your franchise after providing you with a 90 days' notice to improve your performance to meet the minimum sales quotas so that you can keep your protected territory.

PALTEL reserves the right to establish any other non-retail channels of distribution for its products and services to customers located anywhere, including those in your territory. We also reserves the right to sell our products and services through online sales, telemarketing, newspapers, radios, televisions, catalogs and magazines and any other advertising media to customers located anywhere, including within your territory.

5.3.13 ITEM 13: TRADEMARKS

PALTEL will grand you the right to operate your store under the name of "PALTEL Store". You'll be also granted also by our prior written approval other current or future trademarks so that you can operate your store. By the term "Trademarks" we means trade names, trademarks, service marks and all logos and names used to identify your retail outlet as a PALTEL store. However you may not register any domain names or use any online websites whether or not they include the trademarks without prior written approval of PALTEL.

The following are our trademarks which have been registered as official trademarks of PALTEL at the Ministry of National Economy and all other related parties in Palestine:

a. The Trade Names:

- Palestine Telecommunications Company P.L.C.

- PALTEL.
- شركة الاتصالات الفلسطينية م.ع.م
- بالتل
- بال تل

b. The Official Logos:



English Logo – Colored



Arabic Logo – Colored



English Logo – Black & White



Arabic Logo – Black & White

Figure 5.1: The Official PALTEL Logos.

Whenever you use our trademarks you have to follow our rules and guidelines. You're not allowed to modify, alter, transform or even adjust

our trademarks, names or logos by any mean or shape, beside that you're not allowed to use similar names that can be confusingly mixed with our trademarks. You must have PALTEL's explicit written approval when you use our trademarks or even similar ones as a part of a business name, internet address, emails address, logo, design or symbol. You only may to use our trademarks in the way it's authorized to you; consequently you're not allowed to use our trademarks and names to sell unauthorized products or services, for getting credits from any lending party, vendor or supplier or in any other way that is not authorized in advance by PALTEL.

You're responsible to inform PALTEL of any illegal use of its trademarks and names. You have to change or discontinue the usage of a trademark if PALTEL changes or discontinues its usage.

You must not directly or indirectly challenge our right to our trademarks, trade secrets, or business techniques that are part of our business. There are no agreements may limit our rights to use or license the use of PALTEL trademarks.

5.3.14 ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

PALTEL reserves all its rights in the operations manual, in addition to all advertisements, promotional materials and all other related materials delivered to you by this franchise, even though these materials may not have been registered as copyrighted materials of PALTEL. All of these materials are considered confidential and proprietary materials and it's a property of PALTEL and you can use them only as per you franchise agreement. You must confidentially use all materials delivered to you by

virtue of the franchise agreement, and you have to use all reasonable efforts to maintain the privacy and confidentiality of these information. You may not copy, duplicate, record, reproduce these materials or make them available to any unauthorized party.

The copy of the operations manual is a sole property of PALTEL and you must keep it in a safe and secured location at your store. In addition you have to comply with each update occurred in the operational standards.

PALTEL as per the franchise agreement may deliver to you confidential information and trade secrets. You may not during the period of the franchise agreement or after its expiration or termination regardless the cause use for anyone's benefit any trade secrets, confidential information, knowledge or even the knowhow of products and services, materials, equipments, designs, plans, marketing information, advertising or methods of operations of PALTEL stores, such information may only be revealed to your employees and used as necessary to operate your store within the franchise period.

You must also promptly report to PALTEL whenever you learn about any unauthorized use of PALTEL proprietary and copyrighted information. There are no agreements may limit our rights to use or license the use of PALTEL copyrighted or proprietary materials.

5.3.15 ITEM 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You are required to be personally involved in the supervision of the operations of your store. You have to spend a minimum of 8 hours per day on the store operations. You must open your store for business for at least 6

days per week for a minimum of 8 hours per day. You have to confirm to PALTEL dress code along with your employees while operating the store.

PALTEL allows you to hire a manager for your store, provided that he completes the special training program and you commit to personally supervise his performance, in addition the manager needs to sign a written commitment to maintain all confidential information mentioned in Item 14 plus he needs to comply with the provisions described in Item 17.

All shareholders of your business in case you were a business entity must sign the confidentiality agreement and an agreement to hold all obligations of the “Franchisee” under the franchise agreement

5.3.16 ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You are required to only offer the products and services that PALTEL has approved in writing.

You have to offer all products and services designated by PALTEL as required for all franchisees. These services include among others services the sales, installation and repair of data and internet based telecommunications services such as VoIP services. In addition you as a franchisee may engage in the sale of personal telecommunication devices, accessories and any other form of wireline communication services. You will also be required to market and sell other products and services as they become available. PALTEL reserves its rights to change the authorized products and services; in addition we also reserve our rights in offering optional services for selected qualified franchisees without any restrictions.

You are limited to operate your business only in your protected territory; however you may sell products and services to any customer who comes to your store.

5.3.17 ITEM 17: RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Table 5.5: Franchise Agreement Provisions

Provision	Section in franchise agreement	Summary
a. Length of the franchise term	Section 6.2.5.1	5 Years, unless terminated earlier.
b. Renewal or extension of the franchise term	Section 6.2.5.2	1 additional term of 5 years.
c. Requirements for you to renew or extend	Section 6.2.5.2	Renovations, no material default, no due monies, pay renewal fee, sign current franchise agreement.
d. Termination by you	None	-
e. Termination by PALTEL without cause	None	PALTEL would only terminate for a cause.

f. Termination by PALTEL with cause	Sections 6.2.14.1 and 6.2.14.2	Check points g. and h. below.
g. “Cause” defined – curable defaults	Section 6.2.14.2	Curable ones may include failure to pay due amounts, send file reports or comply with operational standards.
h. “Cause” defined – non-curable defaults	Section 6.2.14.1	Non curable ones may include bankruptcy, neglecting, keeping false record books, repeated defaults, illegitimate convictions, violation of accepted customs and traditions.
i. Your obligations on termination/non-renewal	Section 6.2.15.1	Pay to fees, due amounts, rents, stop using PALTEL’s trademarks and other proprietary.
j. Assignment of contract by PALTEL	Section 6.2.12.1	Freely assignable.
k. “Transfer” by you – defined	Section 6.2.12.2	Sale, assignment transfer, loan obligations, must include additional store location.
l. PALTEL approval of transfer by you	Section 6.2.12.2	The new party has financial resources, background and

		other related stuff.
m. Conditions for PALTEL approval of transfer	Section 6.2.12.2	Pay all due amounts, sign release agreement, pay transfer fee, qualified transferee, sign current franchise agreement.
n. PALTEL's right of first refusal to acquire your business	Section 6.2.12.2.a.i	30 days on the same terms as bona fide principle.
o. PALTEL's option to purchase your business	None	-
p. Your Death or disability	Section 6.2.12.2.b	Timely Transfer.
q. Non-competition covenants during the term of the franchise	Section 6.2.16.1	In any wire or wireless communications business.
r. Non-competition covenants after the franchise is terminated or expires	Section 6.2.16.1	At least 1 year in any wire or wireless communications business in a new business location.
s. Modification of agreement	Section 6.2.17.3	Only by written agreement of both parties.
t. Integration/merger	Section 6.2.17.2	Covers franchise

clause		agreement, including attachments.
u. Dispute resolution by arbitration or mediation	Section 6.2.17.6	Requests that parties enter mediation.
v. Choice of forum	Section 6.2.17.6	Conciliation Court of Ramallah, West Bank, Palestine.
w. Choice of law	Section 6.2.17.6	Palestinian Law.

5.3.18 ITEM 18: PUBLIC FIGURES

PALTEL doesn't currently use any public figure for commercial or promotional purposes.

5.3.19 ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

PALTEL don't make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. PALTEL also don't authorize its employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it the franchisor's management directly by contacting:

Mr. Mohammad Jaar,
 Franchise Manager, Sales Directorate,
 Phone: +970 – 9 – 2300718
 Mobile: +970 – 59 – 2220718
 E-Fax: +970 – 9 – 2000718
 E-mail: Mohammad.Jaar@paltel.net
 PALTEL HQ, P.O. Box: 1570,
 Nablus, Palestine.

5.3.20 ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table 5.6: System-Wide Outlet Summary

System-Wide Outlet Summary for years 2008 to 2010				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2008	0	0	0
	2009	0	0	0
	2010	0	0	0
Company Owned	2008	30	31	+1
	2009	31	31	0
	2010	31	27	-4
Total Outlets	2008	30	31	+1
	2009	31	31	0
	2010	31	27	-4

Table 5.7: Transfers of Outlets from Franchisees to New Owners

Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor) for years 2008 to 2010		
Area	Year	Number of Transfers
West Bank	2008	0
	2009	0
	2010	0
Gaza Strip	2008	0
	2009	0
	2010	0

Table 5.8: Status of Franchise Outlets

Status of Franchise Outlets for years 2008 to 2010								
Area	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Required by Franchisor	Ceased operation – other Reasons	Outlets at End of Year
West Bank	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
Gaza Strip	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0

Table 5.9: Status of Company-Owned Outlets

Status of Company-Owned Outlets for years 2008 to 2010							
Area	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
West Bank	2008	20	1	0	0	0	21
	2009	21	0	0	0	0	21
	2010	21	0	0	3	0	18
Gaza Strip	2008	10	0	0	0	0	10
	2009	10	0	0	0	0	10
	2010	10	0	0	1	0	9
Totals	2008	30	1	0	0	0	31
	2009	31	0	0	0	0	31
	2010	31	0	0	4	0	27

Table 5.10: Projected Openings

Projected Openings as of December 31, 2010			
Area	Franchise Agreement But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
West Bank	0	0	0
Gaza Strip	0	0	0

5.3.21 ITEM 21: FINANCIAL STATEMENTS

All Audited financial statements of PALTEL for the fiscal years ended on December 31, 2010, 2009 and 2008 are published on PALTEL's website at the address: <http://www.paltel.net>

5.3.22 ITEM 22: CONTRACTS

The following agreements and forms are attached to this disclosure document:

- A. PALTEL Franchise Agreement.
- B. PALTEL Operations Manual Table of Contents.
- C. Receipts.

5.3.23 ITEM 23: RECEIPTS**Receipt**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English language. Read this disclosure document and all agreements carefully. If Palestine Telecommunications Company P.L.C. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Palestine Telecommunications Company P.L.C. does not deliver this disclosure document on time or if it contains a false or misleading statement, a material omission or a violation of Palestinian law and accepted customs and traditions then an error may have occurred and should be reported to the franchisor's management directly by contacting:

Mr. Mohammad Jaar,

Franchise Manager, Sales Directorate,

Phone: +970 – 9 – 2300718

Mobile: +970 – 59 – 2220718

E-Fax: +970 – 9 – 2000718

E-mail: Mohammad.Jaar@paltel.net

PALTEL HQ, P.O. Box: 1570, Nablus, Palestine.

Issuance date: May 27, 2011

I declare that I have received a disclosure document dated May 27, 2011,
that include the following:

- A. PALTEL Franchise Disclosure Document.
- B. PALTEL Franchise Agreement.

	Name
	(Printed): _____
Witness: _____	
	Signature:
Signature: _____	_____
	Date:

Chapter Six
PALTEL Franchise Agreement

Chapter Six

PALTEL Franchise Agreement

6.1 Introduction:

Agreements are very important in the world of business, such documents are vital to for any successful cooperation in order to identify and rule the duties and functions of each party and to set the exact expectations from each side to the other. This chapter will highlight and define terms and conditions that will bond PALTEL with the supposed franchisees in the form of a franchise agreement.

6.2 PALTEL Franchise Agreement:

This franchise agreement (the “Agreement”) is made this June 27, 2011 (the “Effective Date”) by and between:

Palestine Telecommunications Company (PALTEL), a corporation incorporated under the laws of Palestine, having a principal office at Nablus, Rafedia Main Street.

AND

_____ (hereinafter “You” or “Franchisee”) having a principal office located at _____ (hereinafter jointly referred to as the “Parties”, and individually as the “Party”).

This franchise agreement is intended to describe and establish our relationship during the agreed term of this franchise agreement. PALTEL strongly encourages you to read this franchise agreement carefully and with

the assistance of a professional advisor who is familiar with such agreements. If you are a business entity, then “You” includes all persons or shareholders of your business.

WHEREAS, PALTEL is a provider of internet and data services, voice services and other telecommunication services (together “Services”) and holds the rights which are considered to be proprietary in its trade names, service marks, logos, designs and trademarks (collectively referred to as “Trademarks”) and in the unique methods of conducting business relating to the operation of PALTEL franchised stores (the “Franchise System”) which are considered PALTEL’s confidential and valuable trading secrets.

PALTEL holds the right to offer you the franchise under its trademarks including “PALTEL Store”, which are recognized and identified with a reputation of high quality products and services. This franchise will offer you the access of several data and internet products and services of PALTEL with increased market attractiveness through the assistance and advertising programs. And

You desire to enter the business of operating a franchised store using the Trademarks and the franchise system of PALTEL under the terms and conditions of this franchise agreement, acknowledging that the customers of all provided services are PALTEL’s customers despite the fact that they are joined PALTEL through your store. You also acknowledge that you provided all the required information about you, your partners (if any) and your finances to PALTEL and that this information was and remains truthful and accurate.

THEREFORE, in consideration of the promises and mutual agreements contained herein in this franchise agreement and for other good and

valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to as follows:

6.2.1 Main Franchise Agreement Terms:

- 6.2.1.1 Effective Date: _____
- 6.2.1.2 Expiration Date: _____
- 6.2.1.3 Renewal Date: _____
- 6.2.1.4 Store Location: _____
- 6.2.1.5 Protected Territory: _____
- 6.2.1.6 Initial Franchise Fee: _____
- 6.2.1.7 Minimum Monthly Target: _____
- 6.2.1.8 TAX Registration Number: _____
- 6.2.1.9 PALTEL Store Number: _____

6.2.2 Grant of Rights:

- 6.2.2.1 PALTEL grants to you the right to operate a franchised PALTEL store at and only at the predefined store location within the preselected protected territory and you accept. This franchise is for the operation of retail business that is specialized in data and internet based services, devices and accessories, and shall include among other services the sales, installation and repair of data and internet based telecommunications services such as VoIP services and other forms of wireline communications, including the new technologies approved for sale or service by PALTEL, all of which shall be offered at and from your store. This grant requires your consent to PALTEL's requirements which you

accept by signing this franchise agreement, including limiting your marketing and promotional activities to your predefined protected territory unless you've got a written approval from PALTEL indicates otherwise. This franchise agreement grants you the license to open one and only one store at the preselected location in your protected territory, in addition to that you can apply for an additional store location for which you will pay additional fee and sign the available franchise agreement then, knowing that this additional location will not have its own protected territory rather than it will be an additional location within your predefine protected territory.

- 6.2.2.2 Protected Territory; PALTEL is committed not to license any other franchisee to operate or even advertise in your protected territory as long as you comply with the terms and conditions of this franchise agreement. Your predefined protected territory excludes any exhibition or conference halls and centers, in addition the protected territory also excludes enclosed shopping malls whether it now exists or will arise in the future and it's considered by itself a protected territory. PALTEL reserves the right for itself and for other PALTEL franchisees to exhibit or participate in events conducted in these exhibition or conference halls and centers. Also reserves the right for itself and other PALTEL franchisees to operate PALTEL stores, kiosks, in-line stores or carts in the enclosed shopping malls unless your protected territory is the enclosed shopping mall itself.

The description and definition of the protected territory is based on the governorate, city, locality, quarter, street, shopping mall and other census labels as defined by the Palestinian Central Bureau of Statistics “PCBS”. You’re not authorized to conduct any online business, all online advertisements and commercials for all PALTEL products and services must be posted by PALTEL only. On the other hand you agree to participate in any e-commerce program established by PALTEL, the specifications of such e-commerce programs shall be set out on the operations manual.

6.2.2.3 By signing this franchise agreement you acknowledge that your granted rights are limited to the term of this agreement. In case of expiration or termination of this franchise agreement for any reason, your rights to operate and run the business and all other granted privileges will be terminated.

6.2.2.4 Reserved Rights:

a. Franchise System Modifications: PALTEL reserves the right for itself to change and modify the franchise system in order to better cope with the market changes. These modifications can include, the logos, color schemes and other aspects of the Trademarks, as well as the products and services offered to be delivered within this franchise agreement, standards and specifications and all other requirements mentioned or declared in the operations manual.

- b. Other Distribution Channels: PALTEL reserves the right for itself to directly or indirectly distribute, sell, license the distribution of any products and services with current trademarks or any other trademarks, trade names, service marks, logos and other commercial symbols owned by PALTEL through online sales, telemarketing, newspapers, radios, televisions, catalogs and magazines and any other advertising media to customers located anywhere, including within your territory.

- c. Further Systems: PALTEL reserves the right for itself to develop, operate and franchise further systems for the same similar or different products and services under the trademarks, trade names, service marks, logos and other commercial symbols other than the trademarks of the franchise system you have, without offering them to you.

6.2.3 Trademarks:

- 6.2.3.1 Trademark usage License: PALTEL by this franchise agreement grants you the right to use PALTEL trademarks. You acknowledge that these trademarks belong solely to PALTEL and PALTEL has granted and will grant the usage of these trademarks to other franchisees, agents, dealers, affiliates and other similar parties. You also agree that you will use PALTEL trademarks in the way you are authorized. You agree that you will not register or create any domain name, website, online business, e-commerce or even social media networking pages without a written approval from PALTEL whether it

was containing PALTEL trademarks or not, and in case of PALTEL approval to do so, you must comply to the websites guidelines that are set in the operations manual. After the expiration or termination of this franchise agreement for any reason, you acknowledge that you will immediately cease the use of the trademarks, websites, domain names and all other related stuff and you will assign them all to PALTEL or else as directed.

- 6.2.3.2 Business Name: You agree to conduct your business under the name of “PALTEL Store” or any other name or mark selected by PALTEL without any modifications. You also agree that you will not use or display any other trademarks, trade names, service marks, brands or logos for any other company, firm, store or individual without PALTEL’s explicit written agreement.
- 6.2.3.3 Trademarks Alteration: In case PALTEL decided that one or more of its trademarks, trade names, service marks, brands or logos are no longer suitable for any reason, then you agree that you will adopt with the change at your own expense. This would include changing the signs, graphics, printouts, internal and external store decors, labels and similar related stuff as instructed by PALTEL.
- 6.2.3.4 Trademark Lawsuits: PALTEL reserves the right for itself whether or not to take any action against any party who is not a PALTEL franchisee and using its trademarks or similar confusing trademarks. You agree to support and assist

PALTEL as it may request in its chasing of such illegal actions. You also agree that you will notify PALTEL in case you know or witness any illegal use of its trademarks, trade names, services marks, brands and logos.

6.2.4 Franchised Location:

PALTEL throughout this agreement grants you the rights to operate one and only one store at the predefined store location mentioned in the section 5.2.1.4 above, within your preselected protected territory mentioned in the section 5.2.1.5 earlier. PALTEL reserves the right for itself to approve or disapprove your store location, thus you have to have PALTEL's prior approval before leasing your store from the owner. PALTEL will consider factors such as area demographics, demand projections, competition conditions, physical characteristics and visibility of the proposed location in its evaluation and approval of the store location. Despite PALTEL approval of your store location, this doesn't guarantee the success and profitability of your store, this approval is only to indicate that the location meets PALTEL's minimum requirements for its store locations.

If the lease of your store expires and you were unable to renew it for any reason, then you agree to secure another location and get it approved from PALTEL within a maximum of thirty (30) business days before the expiration of the prior lease. You agree that in order to operate another store location either in your protected territory or in another new protected territory you have to sign a separate franchise agreement which might be different in its terms and conditions from this one, and you have to pay another franchise fee.

6.2.5 Franchise Agreement Term and Renewal Options:

6.2.5.1 Term: The term of this franchise agreement will be for five (5) years, unless terminated earlier for any reason according to this franchise agreement.

6.2.5.2 Renewal: This franchise agreement is renewable for one (1) additional five (5) years term, subject to the fulfillment of the following conditions:

- a. You have to have and reasonable leasing term for your store covering at least the next three years of the franchise renewal term.
- b. You have to notify PALTEL at least six (6) months before the expiration of this franchise agreement of your willingness to renew it for an additional period. You agree to sign the recent version of the franchise agreement exists at that time which may contain different terms and conditions than the current franchise agreement, no later than 3 months before the expiration of this franchise agreement which is mentioned in the section 5.2.1.2 above. On signing the new franchise agreement you're required to pay the existing franchise fee at that time.
- c. You have to have all your due amounts paid to PALTEL prior to expiration date of this franchise agreement so that you can become eligible for the addition term renewal.
- d. You have to fix and cure all your defaults and deficiencies in case they existed and you have to take all necessary actions to assure PALTEL that such instances would not

happen in the future, before signing the new franchise agreement.

- e. This renewal option is not a mandatory option, and PALTEL may consider canceling it in case you have received two (2) or more default notices within any year during the term of this franchise agreement.
- f. You have to have your store modernized, renovated and continuously updated to meet PALTEL's design and decor requirements internally and externally. You agree to do all the needed amendments for your store as instructed by PALTEL at your own cost.
- g. You have to have an overall written release of any and all claims against PALTEL or any of its partners and their employees, managers, directors, shareholders, dealers and lawyers in a form that is acceptable to PALTEL.

6.2.6 Franchise Fees:

- 6.2.6.1 Initial Franchise Fee: At the time you sign this franchise agreement you have to pay PALTEL the initial franchisee fee mentioned in section 5.2.1.6 above. In case of additional franchise store in your predefined protected territory, a separate franchise agreement is to be signed in its recent version, and you have to pay the initial franchise fee of JD 1,500 as well. In case you acquired an additional existing telecommunications store outside your protected territory and you need to add it as an additional franchise store of yours,

you need to sign a separate franchise agreement and pay the initial franchise fee of JD 7,500.

You understand and admit that you pay this initial franchise fee to PALTEL instead of granting this franchise to you. This initial fee which is earned fully by PALTEL upon signing this franchise agreement is not refunded or waived for any reason.

- 6.2.6.2 Ongoing Royalty Fees: PALTEL is entitled of 5% of your gross sales as royalty fee on all products and services you sell or offer at your store which are not products and services of PALTEL and you are allowed to sell or offer them at your store by PALTEL, regardless of the payment method and regardless of whether these amounts are collected or not. The gross sales term also includes monies paid for all and any type of work performed at or offered from your store to the customers.
- 6.2.6.3 New Revenue Streams: PALTEL reserves the right for itself to impose royalty fees on any new revenue streams that PALTEL makes available under its franchise system.
- 6.2.6.4 Commissions Suspension: PALTEL may hold and suspend the payments of commissions due to you if you are in default at any period under this franchise agreement or any other agreement with PALTEL until you cure your defaults. You also authorize PALTEL to deduct from your due commissions any amounts owed to PALTEL or any third party related to your store. In case of agreement termination due to any

defaults from your side, you authorize PALTEL to hold any amounts due to you for a period of six (6) months after the termination of the franchise agreement or until PALTEL receipt a confirmation that all amounts due to third parties related to your store have been paid in full.

6.2.7 Franchisee Marketing, Advertising and Promotions:

- 6.2.7.1 Nationwide Advertising: You agree to pay 2% of your gross sales as participation in the advertising programs carried out by PALTEL at the national level.
- 6.2.7.2 Local Advertising: You acknowledge that one of the major responsibilities assigned to you is to promote your franchised store in your protected territory. You agree that you will not promote or advertise your franchised store outside your protected territory, unless you have an advanced written approval from PALTEL for such an action. You agree to comply with all PALTEL's advertising standards and schemes in addition to obtain PALTEL's prior written approval on all your promotional and advertising actions before you start executing any of these activities.
- 6.2.7.3 Grand Opening Advertising: Prior and during the first month of your store opening you agree to spend a minimum of JD 3,000 on your franchised store grand opening event. Your plans for the opening ceremony and advertising program must be reviewed and approved by PALTEL in advanced. PALTEL in return will provide you with all the needed assistance and

support. Opening additional stores in your protected territory or transferred stores require no grand opening advertising.

- 6.2.7.4 Social Responsibilities: You agree to become a member of PALTEL Group Foundation which is an independent, non-profit organization established by the Paltel Group in 2008 as a direct response to the growing needs of Palestinian society. The foundation may suggest charity programs and all PALTEL franchisees are encouraged to take part in these programs to better serve the community.

6.2.8 Franchisee Identification:

- 6.2.8.1 Look and Feel: You agree to obtain all interior and exterior decor elements which include displays, advertising, signage, posters and stands in addition to select the store colors, furniture and all other materials as instructed by PALTEL.
- 6.2.8.2 Franchisee Identity: You acknowledge that you will at all times, in all of your business dealings and to general public, will identify yourself as a PALTEL franchisee in the form specified by PALTEL. You also agree that you will never identify yourself as being PALTEL, employee of PALTEL, subsidiary, partner or any other PALTEL franchisee.

6.2.9 Training and Assistance:

- 6.2.9.1 Initial Training: PALTEL will provide you and your manager this mandatory initial training and you required to successfully complete it in a form that is satisfying to PALTEL training

team. This training will be provided for free to you and to the managers you select, however you will be responsible for all other expenses related to your travel, stay and pocket money. The training will be conducted at a PALTEL facility or at another selected location by PALTEL. Once you have completed this training course in a satisfying way PALTEL will allow you to start operating your store.

6.2.9.2 Staff Training: You agree that you will only hire satisfactorily trained personnel on PALTEL's systems whether the training is conducted by you or by PALTEL.

6.2.9.3 Additional Training: PALTEL will provide you upon your request with an onsite additional training for all operational, sales and promotional aspects of your store for all your selected staff. This training is conducted at your own cost, and you'll be responsible for all associated expenses including travel, stay, meals and living expenses to PALTEL's trainer in addition to the training fees.

6.2.9.4 Further Assistance: In addition to above mentioned training PALTEL will provide you with the following services to assist you in running and managing your store:

a. Operations Manual: PALTEL will provide you with the recent version of its operations manual. This manual is considered and will remain a property of PALTEL and you are only allowed to use it in the operations of your franchised store during the term of this agreement.

- b. Operating Assistance: In addition to the mandatory initial training and directly before and during the opening of your store PALTEL will provide you with the needed assistance, by assigning a special delegate to train, supervise and instruct you and your team in the management and operation of your store for up to 10 business days. PALTEL sees that continuous training is a must to better operate and run your store, thus PALTEL will organize and conduct periodic training courses for its franchisees as it sees fit. You agree to attend and participate in these training courses. you also agree to attend the regularly scheduled meetings conducted by PALTEL regarding its franchise system.
- c. Ongoing Assistance and Supervision: PALTEL and through its special representatives will provide you with all the help and supervision needed in operating and managing your store as PALTEL sees suitable. This ongoing assistance and supervision may include onsite visits, online support, on-call help, sales and profitability evaluation, marketing tips and other recommendations for operational improvements. You agree to immediately cure and address any faults, deficiencies or failure to comply with PALTEL's standards, procedures and quality of service which referred to by our representatives.

6.2.9.5 Limited Liability: Although PALTEL will do all it can and will apply its experience and knowledge to help and assist you

in the operation and management of your store, you agree that PALTEL will not be liable to you or any third party for any performance issues of any PALTEL's employee, representative, trainer or advisor.

- 6.2.9.6 Customer Service Commitments: You agree to address customer service issues in accordance with PALTEL's guidelines and standards and if necessary cooperate with other PALTEL franchisees for resolving such issues. You agree to grant PALTEL all the rights to resolve customer service issues and complaints which you can't resolve in a timely manner. You agree to bear all costs or refunds (if any) associated with resolving such issues, you also authorize PALTEL to deduct such costs from your commissions owed by PALTEL.

6.2.10 Business Operation:

- 6.2.10.1 Operations Manual: You agree to operate and manage your store strictly according to the operation manual provided to you by PALTEL. You acknowledge that your commitment to operate your store according to the operations manual specifications and standards is crucial to protect PALTEL's brand reputation and trademarks, and extremely important to maintain and establish uniformity, consistency and standardization of operations throughout PALTEL franchise system.

You agree to the following terms and conditions while using the operations manual:

- a. Confidentiality: You agree to use the operations manual as confidential document; hence you will never reveal, copy, duplicate or reproduce any part of it under any circumstances and by any means. You also agree that you will never make the operations manual available to any unauthorized person or party, in addition you have to return the operations manual to PALTEL in case expiration or termination of this franchise agreement.
- b. Amendments and Modifications: You acknowledge that PALTEL in exercise of its sole business judgment will amend and modify the operations manual from time to time, and accordingly you agree to accept and comply with all these changes within the timeframe specified by PALTEL. You also committed to bear all costs associated with these amendments and modifications. These changes may include modifications and amendments to the franchise system, approval of new technologies and suspend current products or services.
- c. Compliance to Standards and Specifications: You agree that you will follow and comply to all standards and specifications mentioned and described in the operations manual, acknowledging that these standards and specifications may change from time to time.

6.2.10.2 Products and Services Approval: You agree to establish, maintain and increase the sales of only approved products and services by PALTEL at and from your store on an exclusive

basis. PALTEL has already established and will continue to improve specific standards and specifications for the products sold and services offered from its franchised locations. You acknowledge that the reputation, image and goodwill that PALTEL has established are based on the quality of products and services offered and sold at its different locations. Accordingly PALTEL reserves the right in the exercise of its sole and exclusive business judgment to establish vendors and suppliers criteria for quality, and you must only purchase products from vendors and suppliers approved by PALTEL that meet such quality criteria as defined in the operations manual. Furthermore you agree to maintain at all times an inventory of authorized and approved products in adequate and enough quantity that fulfill the expected customer demand.

In case you want to buy products from a vendor or a supplier that is not approved by PALTEL, or you wish to offer a product or a service that is not authorized by PALTEL, then you have to inform PALTEL in writing of your wish in addition you need to submit specifications, samples and other related information that PALTEL may request. In return PALTEL will in a reasonable time determine whether or not the products or services are equivalent in quality, performance, appearance and other related characteristics to the products and services approved by PALTEL, on the other hand their vendors and suppliers required to be qualified and eligible to become reliable source of products or services offered at

PALTEL Stores. Consequently PALTEL will either approve or disapprove your request.

- 6.2.10.3 Store Management: You have to have the ultimate and sole authority and control of your store and its employees. Regarding your employees you will be fully responsible for their working schedules, salaries, taxes, training, insurance, vacations and all other related benefits and incentives. In addition you agree to comply with all the related requirements established by PALTEL moreover your employees must not be considered at any time employees of PALTEL.

You are required to be personally involved in the supervision of the operations of your store. You have to spend a minimum of 8 hours per day on the store operations. You must open your store for business for at least 6 days per week for a minimum of 8 hours per day. You have to confirm to PALTEL dress code along with your employees while operating the store.

During the term of this franchise agreement, you agree not to be actively involved in any other business or investment that requires your contribution during the normal business hours without PALTEL explicit approval. On the other hand PALTEL may allow you to hire a manager for your store, provided that he completes the special training program and you commit to personally supervise his performance, in addition the manager needs to sign a written commitment to maintain all confidential information.

6.2.10.4 Insurance: You agree to review and evaluate your insurance needs with a special advisor, you also agree to maintain an insurance policy that would protect you, all of your employees, PALTEL, all of PALTEL employees, partners and stakeholders against any demand or claim with respect to personal injury, death, property damage, any loss, liability or any expense whatsoever happens upon or in connection with your store.

Your agree that your responsibility to obtain and maintain an insurance policy in the mentioned amounts in the operations manual is not affected by any other insurance policy maintained by PALTEL. You acknowledge PALTEL's right to change the minimum policy limit as it may decide; however this limit shall apply to all PALTEL franchisees with similar situations.

6.2.10.5 Store Construction, Maintenance and Repair:

a. Store Construction: PALTEL will guide, instruct and direct you in your store constructions' works. PALTEL will provide you with the appropriate layout of the interior decor for your store, in addition to a list of all items with its specifications that should be available within your store. On the other hand you shall at your own cost perform all the constriction work required at the store according to the predetermined specifications and details by PALTEL. If any signage, displays, kiosks or any other related materials are provided by PALTEL at no expense of you, they remain a property of PALTEL.

- b. Store Maintenance and Renewal: You agree at all times to maintain all of the interior and exterior elements of your store at your own cost. You agree to address all issues regarding the maintenance and renewal of your store at the times reasonable to PALTEL. You acknowledge that PALTEL may direct you from time to time to do complete renewals of your store at your own cost, which might be an individual or system-wide update.
- c. Store Cleanliness: You agree to keep your store clean, tidy and neat both in the inside and in the surrounding area as well, as instructed by PALTEL in the operations manual.

6.2.10.6 Store Inspection: PALTEL reserves the right for itself during the term of this franchise agreement to inspect your store in terms of operations, equipment, service methods, inventory levels, cleanliness, management, administration and all other related aspects of your store to insure your compliance with PALTEL standards, specifications and procedures.

6.2.10.7 Accounting System: You agree to prepare and maintain your bookkeeping and accounting records as instructed by PALTEL in the operations manual. You agree to submit all required reports as well as to make your records available for inspection by PALTEL's financial team at any time. You acknowledge also that PALTEL has the right to access your records through the system of your point of sale.

- 6.2.10.8 Compliance to Law: You agree at all time to operate your store in full and strict compliance with the applicable laws and regulations. You agree to be responsible for knowledge of, and compliance with, the labor and tax laws and regulations. You agree to provide PALTEL with all sales tax receipts at the time you submit them to the official authorities.
- 6.2.10.9 Retail Price: You agree that you will commit to the prices provided by PALTEL for all of PALTEL's services offered from your store. In addition PALTEL will provide you with its recommended prices for the products sold at your store yet you will not be required to conform to these recommendations, on the other hand PALTEL reserves the right for itself to set the maximum price at which you may sell any products or services.
- 6.2.10.10 Your Store Employees: You agree to hire and train a sufficient number of skilled and experienced employees with good character and neat appearance to serve the customers at your store. You agree to have PALTEL prior approval on your store manager after he passes the mandatory initial training; on the other hand you agree to replace any manager that PALTEL determines is not doing his duties according to the standards and specifications mentioned in the operations manual. You agree to have all of your employees sign on the confidential information agreement. You also agree to prepare and maintain an employee filing system that contains all the

information about all employees and provide an updated copy of that system to PALTEL.

- 6.2.10.11 Store Operation Hours: You agree to open your store for operations for at least six (6) days per week for a minimum of eight (8) hours per day as set in the operations manual.
- 6.2.10.12 System-Wide Cooperation: You acknowledge the importance of promoting the goodwill within PALTEL franchise system, and therefore you agree to provide all the needed services including exchanges and refunds for purchases made by customers at other franchised stores of PALTEL. You have to settle the account directly with the other franchisee that originally provided the service or the product, in case you fail to do so, PALTEL reserves the right for itself to resolve the issue in good faith and in exercise of reasonable business judgment.
- 6.2.10.13 Credits and Accounts Payable: You agree to pay in full all your due amounts and credits for PALTEL in returns of inventory purchases, service activation and all other similar activities mentioned in the operations manual or in any other agreement without any defense or claim. You acknowledge that you also will pay all other creditors including without limitation your property owner.

6.2.11 Accounting, Bookkeeping and Records:

- 6.2.11.1 Bank Account: You agree to open and maintain a bank account for your business.
- 6.2.11.2 Sales Records: You agree to record your sales actions exactly as they are occurred, and maintain them accurate and up to date. You are authorized only to use those invoices and receipts that were provided to you by PALTEL. Any tampering in PALTEL official invoices or receipts will result in immediate termination of this franchise agreement.
- 6.2.11.3 Auditing & Inspection: You agree to keep and maintain your financial and all other business records which include but not limited to invoices, bank statements, and tax receipts for a minimum of five (5) years. You agree that PALTEL reserves the right for itself to audit, inspect and make copies of these records. If the auditing process shows an understated amount in gross sales of three percent (3%) or more, then you will be charged for the cost of auditing process plus paying the understated amount in addition to paying a penalty of fifteen percent (15%) of your understated amount.
- 6.2.11.4 Periodic Reports: You agree to provide PALTEL with a hardcopy and a softcopy of your quarterly sales reports within a maximum of five (5) business days after the end on each quarter and annually sales reports within a maximum of thirty (30) business days after the end of each calendar year, as well as a downloadable softcopy of your daily sales report for the

whole month within a maximum of three (3) business days after the end of each month. You agree to provide PALTEL with your annual financial statements and tax receipts showing the balance sheet including the profit and loss statement as a hardcopy and a softcopy within a maximum of thirty (30) business days after the end of each calendar year. You acknowledge and certify that all financial statements and tax receipts had been prepared by a professional and independent accounting office and they are true and correct and remain so. You agree to provide PALTEL with any other reasonably required reports upon request.

- 6.2.11.5 Customer Relation Management “CRM”, Point of Sale “POS” and Related Systems: You agree to purchase the required computer and network equipments as recommended by PALTEL which are mentioned in the operations manual at your own cost, you also agree to let PALTEL team to setup and configure the security parameters, install and configure the PALTEL Customer Relation Management solution “CRM” in addition to PALTEL Point of Sale “POS” software and all related components. You’ll have these applications with all its associated updates without any cost of you. In addition a Virtual Private Network “VPN” account will be installed for you at no cost to secure the transactions between your store and PALTEL, this account is to be used by all the franchise related applications to securely communicate PALTEL’s datacenter applications and databases. Using this computer system PALTEL will have the ability to fully access

all records and information created using it, knowing that this information is securely synchronized to PALTEL center on regular basis for backup and processing. On top of this you'll be given an email account at PALTEL systems specially designed for franchisees and you'll be required to use this account for official correspondences and circulations.

- 6.2.11.6 Bank Guarantee: You agree to provide PALTEL with irrecoverable and unconditional bank guarantee equals to JD 50,000 issued or confirmed from a considerable first class bank to Palestine Telecommunications Company (PALTEL). This Bank guarantee will be a guarantee of good performance of this franchise agreement and to secure you commitment to work according to the operations manual and all other related agreements. You agree and acknowledge PALTEL's right to liquefy and take the bank guarantee without returning back to you at any time you break any condition in this agreement, any other related agreement or agreed procedure.

6.2.12 Assignment, Transfer and the Right of First Refusal:

- 6.2.12.1 Assignment by PALTEL: PALTEL reserves the right for itself to freely assign or transfer its benefits, rights and obligations under this franchise agreement to any individual, corporate or any other entity. You agree and acknowledge PALTEL's right, now or in the future, to acquire, merge or purchase any related or unrelated business regardless its location which might be within your predefined protected territory or nearby any of

your locations, and rebrand it as “PALTEL Store” under the trademarks of PALTEL or any other trademarks become available to PALTEL following to this acquisition, merger or purchase. In the case of any area conflict or overlap, PALTEL will use all its efforts to resolve these issues within nine (9) months of such acquisition, merger or purchase.

You agree and acknowledge PALTEL’s right to sell itself, its assets and resources, Trademarks or even this very own franchise system, PALTEL can also enter a merger or acquisition agreements in which it can acquire, or acquired by other business entities, PALTEL also may undertake a refinancing, recapitalization, financial or organizational restructuring. Accordingly you explicitly and specifically waive any claims, demands and/or compensations associated to the change or alter of PALTEL name, trademarks or systems including this very own system.

- 6.2.12.2 Assignment by You: You acknowledge that PALTEL has granted you the rights in this franchise agreement upon your background and your business ability. You agree not to sell, assign, transfer, offer, and pledge any part in this franchise agreement, in your business or any of its assets and/or ownership without PALTEL explicit agreement. The additional store locations are part and parcel of your franchise agreement and thus they may not be retained in case of assignment or transfer of your main franchise agreement, on

the other hand they can be assigned or transferred collectively and not one by one in case of PALTEL's approval.

- a. Permitted Transfers: PALTEL will agree and approve your transfer in case you fulfill all of the following conditions:
 - i. You have to offer the transfer to PALTEL at the same price with the same terms and conditions you offer to any other party. You agree to provide PALTEL with a signed copy of any offer you sent to any party of such interest, and PALTEL has the right to reply to your offer within thirty (30) business days following to the receipt of all needed and necessary documents, PALTEL have the option to purchase your business in the same terms and conditions contained in the written offer. In case of PALTEL interest of purchasing your business then the whole process of purchasing and actual transfer of the business is to be carried out within a maximum of sixty (60) business days. If PALTEL does not use the right of first refusal for one offer of yours, this does mean that PALTEL give up its rights in any other offer. PALTEL will have another fifteen (15) business days after rejecting to use the right of first refusal to approve or disapprove the transfer to other party.
 - ii. You have to pay all amounts due to PALTEL and all other parties before the actual date of the transfer.

- iii. You have to give back all equipments, tools, utilities and any other related stuff to its owners whether it was PALTEL or any other party.
- iv. You have to make your bank guarantee available to PALTEL for at least six (6) months following the transfer.
- v. You have to have an overall written release of any and all claims against PALTEL or any of its partners and their employees, managers, directors, shareholders, dealers and lawyers in a form that is acceptable to PALTEL.
- vi. You have to have PALTEL's prior approval on the transferee, and that this transferee has all the necessary financial resources, character and ability to smoothly run the business.
- vii. The transferee has to pay the transfer fee of the business. If case the transfer was to a business entity you control, then there is no transfer fee to be paid.
- viii. The transferee has to sign the final version of the franchise agreement and all related agreements and documents, complete the initial training program and all other requirements to the sole satisfaction of PALTEL.
- ix. The transferee has to sign the lease agreement with the store owner no later than the date of the transfer.
- x. In case PALTEL helps you to find a suitable purchaser of your business, then PALTEL is entitled to a ten percent (10%) commission of the deal price, in

addition to all other due amounts under this franchise agreement.

- xi. Any owner of a PALTEL franchised store has to comply with the terms and conditions of this franchise agreement as well as all other related agreements and documents.
- b. Transfer upon Death or Permanent Disability: You agree you're your permanent disability means that you (or the majority owner in case of a business entity) are unable to operate or supervise your business in full time for period of six months, and thus in case of your permanent disability or death your lawyer must transfer your business as listed below:
- i. If your heirs, beneficiaries or successors determined to retain and continue the business, then PALTEL will consider this case as a permitted transfer subject to all terms and conditions of section 5.2.12.2.a.
 - ii. If your heirs, beneficiaries or successors determined not to retain or continue the business, then PALTEL may exercise its right of first refusal to purchase the business at the average price of three evaluations made by three independent business appraisers that PALTEL and your heirs, beneficiaries or successors agree on, and you agree that your heirs, beneficiaries or successors will sign all the required documents for this acquisition. This should happen within a maximum of ninety (90) business days after the

incidence of your death or permanent disability, during this period PALTEL or its representative may undertake the operations of the business.

- 6.2.12.3 Transfer to Business Entity: You as an individual may want to transfer this franchise agreement as a part of your business transfer to a business entity. PALTEL will agree and approve your transfer in case you fulfill all of the following conditions:
- a. The transferee entity must conduct no business other than your PALTEL franchise business.
 - b. You must be the majority owner of the transferee business entity, i.e. you have to have at least fifty one percent (51%) of its ownership. On the other hand you must be actively involved in the operations and management of this business as well as being an influential decision maker.
 - c. You and all other co-owners of the business must meet and cope with PALTEL's standards and requirements, you all need to sign the latest version of the franchise agreement and all other related agreements and documents, as well as personally guarantee the smooth performance of the business under the terms and conditions of the signed franchise agreement.
 - d. You have to provide PALTEL will all of the documents related to the company, and that might include the company registration certificates, internal agreements among owners, shareholding documents and all other related documents that PALTEL may require.

- e. You agree to provide PALTEL with all and any update occur in the company structure, whether it was a managerial or an ownership update or any other. In case of a change in majority ownership, then you have to have PALTEL agreement and approval on the transfer that will be subject to terms and conditions in the section 5.2.12.2.a.

6.2.13 The Right to Intervene:

Causes to Intervene: In case PALTEL determines that the operations of your store is in danger, or if a default occurs, and if PALTEL agrees to do so, then you authorize PALTEL to operate your business instead of you, as long as PALTEL believes that it's necessary. You agree and acknowledge PALTEL right to intervene to protect the integrity and value of PALTEL Stores franchise. The below list of causes that may let PALTEL to intervene in your business:

- a. PALTEL reasonable determination that you are unable to operate your business because of absence, illness or death.
- b. You have not paid your due amounts to PALTEL or any other party.
- c. You failed to pay debts against your business.
- d. Any operational problems of the business that require the direct interference of PALTEL for a period of time.

In case and for any reason PALTEL declines the right of intervene, then you agree to hold PALTEL harmless of any and all losses, damages and liabilities that may occur.

6.2.14 Default and Agreement Termination:

- 6.2.14.1 Immediate Termination: PALTEL can terminate this franchise agreement immediately if any of the following defaults occur, and you don't have the right to cure them:
- a. If you shall become bankrupt or you enter in bankruptcy arrangements.
 - b. If you transfer or attempt to transfer some or all your business ownership without getting the prior approval of PALTEL.
 - c. If you cease to operate your business by yourself and you have PALTEL approval to operate the business yourself.
 - d. If you fail to open a store location within ninety (90) business days after signing this agreement.
 - e. You are convicted or sentenced with any crime related to the operations of the business, illegitimate convictions or violation of accepted customs and traditions.
 - f. If you commit an act that placed the goodwill of the trademarks or the system on risk.
 - g. If you violated the confidentiality or the non-disclosure mentioned below in section 5.2.16.
 - h. If you copy, duplicate, record, transmit, reproduce, use or permit the use of any procedures, manuals, materials, goods or any other proprietary or copyrighted information of the franchise system in an unauthorized way without getting prior approval of PALTEL.

- i. If you don't record or report all sales for three or more times within one year, or if the auditing process exposes a pattern of understatement.
- j. If you don't finish the initial mandatory training, and you do not get the certification to operate the business.
- k. If you provided PALTEL with false or incomplete information in your initial application to obtain this franchise.
- l. If your store lease has expired and you fail to renew it or fail to secure a new location within the allowed timeframe mentioned in section 5.2.4.
- m. If you get from PALTEL three (3) or more warnings to cure any defaults or violations of this franchise agreement within one year.
- n. If you involve in any fake or fraud acts and any other dishonest acts against the customers, vendors or any other party.
- o. If you violate any term or condition of this franchise agreement.

6.2.14.2 Termination with Notice: PALTEL reserves the right for itself to terminate this franchise agreement after delivering a notice to you in the following situations :

- a. If you fail to pay any due amounts to PALTEL under this franchise agreement or under any other agreement with PALTEL. PALTEL officially send you a notice to cure this failure within a period of ten (10) business days.

- b. If you fail to achieve the minimum assigned monthly targets mentioned in the section 5.2.1.7 as computed on average bases during any year. PALTEL will officially send you a notice to cure this default with a period of sixty (60) business days.
- c. If you violate any term or condition of this franchise agreement.

6.2.14.3 Other Defaults: PALTEL reserves the right for itself to define and specify any other defaults than the ones mentioned in this franchise agreement, for the sole benefit of the system.

6.2.14.4 Good Cause: You agree that all the previously mentioned defaults are considered to be “Good Causes” for PALTEL to use its right to terminate this franchise agreement.

6.2.14.5 Conformance with Law: If there is any law or regulation that limits PALTEL’s right to terminate this franchise agreement or requires PALTEL to provide you with longer notice period, then PALTEL will comply with the law and conform to the minimum notice period.

6.2.15 Rights and Duties of Parties upon Termination or Expiration:

6.2.15.1 Your Obligations: Upon the termination or expiration of this franchise agreement for any and all reasons, you agree to comply immediately to the following:

- a. Pay all due and outstanding amounts to PALTEL and other parties.

- b. Settle your financial situation with all of the related parties.
- c. Pay all costs associated with the removal of all signage and displays.
- d. Return in good and usable condition, or refund PALTEL for the signage, displays, kiosks, store build and any other costs.
- e. Make your bank guarantee available to PALTEL for at least six (6) months.
- f. Stop identifying yourself as a PALTEL franchisee, and cease the usage of all and any trademarks, systems, manuals and all other materials granted or given to under this franchise agreement. In case you continue to use such materials, the PALTEL is entitled to a JD 10,000 instead of damages thereto.
- g. Return all copies of operations manual, forms, invoices and all related documents with PALTEL trademarks and logos.
- h. At the request of PALTEL, you have to handover all domain names and all other online pages and subscriptions related to your business as well as telephone numbers to PALTEL. In case that your business is listed in the directory services then you have to update these parties regarding the change of your status.
- i. Provide PALTEL with all business records and information, including all customer and employee files.
- j. Sign a document of franchise termination, and the termination of your rights to use PALTEL trademarks and systems.

k. Sign an overall release of any and all claims against PALTEL or any of its partners and their employees, managers, directors, shareholders, dealers and lawyers in a form that is acceptable to PALTEL.

6.2.15.2 PALTEL's Obligations: PALTEL and upon the termination or expiration of this franchise agreement will only reserves all your rights in all the commissions and monies you earned as of the date of termination or expiration.

6.2.16 Non-Competition and Non-Disclosure Agreements:

6.2.16.1 Non-Competition: You agree that since the sign date of this franchise agreement and until 3 years following the termination or expiration of this franchise agreement for any reason, you will not involve directly or indirectly in any way or manner with any data and internet communications business located at your store or within the governorate in which your store located.

You agree that during the term of this franchise agreement, and until 2 years following the termination or expiration of this franchise agreement, you will not ask for employment, employ or persuade any person to leave his occupation as an employee of PALTEL or any other franchisee of PALTEL. If you violate this condition within the term of franchise agreement then PALTEL can immediately terminate this franchise agreement as mentioned in the section 5.2.14.1.

6.2.16.2 Non-Disclosure: You acknowledge that the disclosure of any part of the system, terms, conditions or operations manual of this franchise agreement, could negatively affect PALTEL, you and other franchisees. Therefore you agree that at no time whether during or after the term of this franchise agreement you will disclose, duplicate or copy in any way any part of this franchise agreement and/or any other related agreements, documents, manuals, trade secrets or other copyrighted information and materials of PALTEL.

By definition, the “Trade Secrets” means any information belongs to PALTEL, proprietary of PALTEL or copyrighted to it, including the information in the operations manual, components of the system, technical and non-technical information, sales tactics, marketing plans, customer details, vendors and supplier lists. The “Confidential Information” means the information other than the trade secrets that belongs to PALTEL with a secret nature or any stuff that is not generally known to the public whether it’s technical or non-technical information.

6.2.16.3 Financial Restitution: PALTEL is entitled to receive JD 50,000 as a financial compensation, and not as a penalty, in return of the damage and loss incurred to PALTEL if you reveal any trade secret or the confidential information.

6.2.16.4 Scope of the Agreements: the previous agreements shall apply to you, your officers, managers, employees and partners as well as their immediate family members.

6.2.17 General Terms, Conditions and Provisions:

6.2.17.1 General Titles: the title of this section and all of its contents are general terms and definitions and they are commonly used throughout most of the agreements.

6.2.17.2 Franchise Disclosure Document: The franchise disclosure document that was provided to you as an offering of PALTEL for this franchise is considered to be part and parcel of this franchise agreement.

6.2.17.3 Whole Agreement: This franchise agreement and any combined documents, agreements and understandings, including the Franchise Disclosure Document “FDD” which contains the original offer of PALTEL to you for this franchise, are to be treated as one whole agreement.

6.2.17.4 Modifications & Amendments in Writing: The parties agree that all modifications, alterations or amendments of this franchise agreement will be only valid if it was written and signed by both parties officially. This agreement would exclude the modification of the operations manual which is made solely by PALTEL.

6.2.17.5 Relationships between Parties: You acknowledge that you are an independent contractor and not employee of PALTEL, subsidiary, partner or any other form of relationship, unless otherwise explicitly stated and acknowledged by PALTEL. You acknowledge that PALTEL holds no responsibility regarding any obligation you have made to any customer or subscriber other than the ones PALTEL previously agrees on. In addition you agree to have all the utility accounts, bank accounts, leases and all other obligations in your name and not to reference or state directly or indirectly that PALTEL is responsible of such payments. PALTEL is not responsible of any damages or losses that may happen to a third party because of your action, failure to act, careless act or willful behavior.

PALTEL will hold no responsibility or control over your employees or their actions, working conditions or salaries. PALTEL will hold no responsibilities for any loss or damage resulting from the operations of your store. You agree to insure to hold harmless PALTEL or any of its partners and their employees, managers, directors, shareholders, dealers and lawyers against any claims, costs or liabilities that may happen because of your operation and management of your business.

6.2.17.6 No Waiver: PALTEL requires full and strict compliance to this franchise agreement terms, conditions and supporting documents, on the other hand PALTEL will hold no

responsibility if PALTEL waives any breach or default in your performance while operating your store under this agreement or before.

6.2.17.7 Governing Law: This franchise agreement is governed and interrupted by the laws of the Palestinian Authority. You agree that any conflict may happen relating to this franchise agreement can be only solved in Conciliation Court of Ramallah, West Bank, Palestine, in case both parties failed to resolve it by mutual consent and in good faith principle. You agree to raise a cause against PALTEL only within one year of the occurrence of the event that brought the case. In case for any reason any term or provision in this franchise agreement or its supporting documents and agreements found to be invalid, then this will not affect the remaining terms and provisions and they will still be considered valid, true and enforceable.

6.2.17.8 Notices: You agree that all written notices which are required according to this franchise agreement or its supporting documents, will considered to be delivered two days after being mailed in the official certified mail. Or one day after being sent to your registered FAX and to your official email address in case it's applicable. It's your responsibility to have your mailing address and contact information updated and correct in PALTEL records, otherwise you bear the full responsibility if the notices are not delivered to the correct location or address.

- 6.2.17.9 Force Majeure: Neither of us will be liable to the other for failure to perform under this franchise agreement, whether in a whole or in part, due to force majeure which may include but not limited to regulator or governmental restrictions, strikes and labor troubles and riots, utilities failure, war acts, blockades, storms, fires, earthquakes or any other thereto causes that are beyond the reasonably control of the parties. This condition will exclude your obligation to pay any and all your due amounts to PALTEL and other parties under this franchise agreement.
- 6.2.17.10 No Discrimination: PALTEL will take into its consideration and it will act under the principles of reasonable business judgment that PALTEL deems to be applicable in the exercise of its rights and obligations.
- 6.2.17.11 Disclaimer: You agree that PALTEL makes no warranties, either explicit or implicit, regarding any signs, displays, decor, furniture, kiosks, carts or any other approved equipments, materials, products and supplies used in conjunction with your store.

6.2.18 Acknowledgment:

You acknowledge that PALTEL or its representative has provided you with a Franchise Disclosure Document “FDD” at least 20 business days prior the signing of this franchise agreement, furthermore you acknowledge that you have read the Franchise Disclosure Document carefully and clearly understands its contents and that that PALTEL has comprehensively answered all your questions and inquiries regarding that document. You also acknowledge that PALTEL has provided you with this franchise agreement at least 10 business days prior to the signing of this franchise agreement and that you had the chance to review this franchise agreement, as well as the Franchise Disclosure Document and that you have consulted your lawyer regarding them both, and they are covering and not missing any vital right or obligation of both parties.

You acknowledge that you have entered and chosen this franchise after you conduct an independent business case and study, and you have no received any guarantee on profit or potential sales of PALTEL Store.

You agree and acknowledge the fact that other franchisees might operate under different forms of agreements, accordingly rights and obligations may be differ between franchisees.

This franchise agreement is only effective after dating and signing it from both parties, by the authorized personals.

IN WITNESS WHEREOF, the Parties have caused their duly authorized representatives to execute, seal and deliver this Agreement as the effective date set above.

**Palestine Telecommunications
Company (PALTEL).**

By:

Title:

Date:

Witness: _____

Signature:

Signature: _____

Franchisee:

By:

Title:

Date:

Witness: _____

Signature:

Signature: _____

Chapter Seven
Findings and Discussion

Chapter Seven

Findings and Discussion

7.1 Introduction:

This chapter illustrates the key findings of this research in terms that were not covered in the franchise package and the corresponding agreement. It also presents the importance and success indicators of the franchise system from the sides of the franchisor and the franchisee as discussed during the focus groups and interviews. This chapter also views the results of a survey that was conducted to measure the customers' satisfaction of the existing retail expansion system of PALTEL.

7.2 Results of Semi-Structured Interviews and Focus Groups:

It was clearly stated during the focus groups and interviews that the traditional retailing methods which are the company-owned outlets can't alone handle the demand of ambitious companies to spread and expand. Participants of the focus groups agreed that there is a need to add new methods to the existing way of retailing, and there is a need to increase the existing number of PALTEL branded outlets, on the other hand, this expansion has to be carefully studied and controlled with minimal investment and maximum geographical coverage.

Focus groups participants agreed that franchising can be an excellent expansion method in many forms; the franchising combines the advantages of both corporate-owned retail stores network and the independently owned business. The franchise system can help with the company expansion without the need invest heavily in capital, labor and all other costs related

to logistics and management since all of these investments are paid out by the franchisee, on the other hand, the franchisor is the least affected party from the failure of an individual outlet.

The discussions conclude that the company benefits from this expansion method can be categorized under two main categories; the first is related to the capital investment provided by the franchisee to develop the retail stores and thus expand the company's retail stores network at minimal cost from PALTEL, the investment made by the franchisee has to be relatively low to encourage him to acquire the franchise. The second one is the franchisee motivated management of business since he's the one who made the investment and the actual owner of the business.

The franchise relationship is mutually beneficial for both parties, in which the franchisor relies on its franchisees to expand its retail store network, increase its brand awareness and enhance its trademarks; on the other hand, the franchisee relies on the products, services, support, marketing and the knowhow of the franchisor to become competitive and profitable.

In the following sections we'll discuss deeply the benefits related to the investments, management motivations as well as the franchising from the franchisee's viewpoint.

7.2.1 Benefits of Franchisee's Investments:

- a. Effect of Rapid Expansion of Franchisor's Outlets: franchising enables the company to start its outlets in a relatively short time. The investment and the work associated with store opening process is supplied and carried out by the franchisee. Good locations are rare and they are being hunted by competitors, thus acquiring good

locations for outlets in all towns and cities using the traditional company-owned method is a difficult and expensive mission, whereas through franchising, the rapid expansion of the outlets' network will be much easier and less expensive on the franchisor, this rapid expansion will also make it harder for the rivals to obtain such good locations as well as it will enable the franchisor to increase its presence and accordingly its market share quickly. Appropriate deployment and spread of the company outlets will form and increase the customers' and subscribers' recognition and understanding of the sold products and offered services as well as enhancing the overall awareness of corporate trademarks.

- b. Risk Sharing of Expansion: The franchisee is actually provides the most of the investment required to open the outlet; the franchisee investment covers the real estate rental and other expenses related to the store improvements, decor, furniture and equipments, the official permissions and authorizations to conduct business from the local authorities and municipalities, the inventory and the working capital as well as all other expenses including the franchise fees which covers the expenses associated with site selection, training, opening and ongoing assistance. On the other hand, the costs associated to the franchisor in opening the franchised outlets is mainly limited to the franchisee recruitment costs, the overhead costs associated to the help, training and support provided to the franchisee, the products and services marketing expenses as well as the special offers and discounts made to promote the products selling and services offerings. Of course this is not all the costs associated to the franchisor; it also bears alone the costs of products and services

developments and improvements as well as the updates and upgrades of technical infrastructure. In this essence we realize that the expansion risk is separated between the two parties as well as the duties, each party focuses in its primary role, the franchisor focuses on the products and services creations, developments and improvements; and on the other hand, the franchisee focuses on greater products selling, better service offering, enhanced customers' services as well as providing the best retailing experience.

- c. Shared Benefits and Better Financials: The company is going to have lower revenue in case of franchised outlets than the company-owned outlets; but on the other hand the company is going to have in this case also fewer fixed assets and running expenses since all outlets-related investments and costs are being made by the franchisee; this means that to company is having a revenue with a higher profit percentage and this revenue is generated with much less capital investment, in other words the company is having a better Return on Investment "ROI" and a better Return on Invested Capital "ROIC".

From another perspective the franchise network may benefit from buying on large scale its various supplies, equipments and other requirements. This would put the whole company in an excellent buying power position, in other words both company-owned and franchised outlets would benefit from this buying position.

7.2.2 Benefits of Franchisee's Management:

- a. Motivated Management: Daily operations and business plans execution in franchised outlets is carried out by business owners, but

on the other hand, the company-owned outlets are being managed and operated by hired managers, because of this the business would have a direct positive impact as its being operated directly under the supervision of its owner, and accordingly the outlet management is going to be more effective and yet better motivated. Additionally, the working capacity of the outlet owner would be better than the working capacity of a hired employee and thus fewer employees are required to accomplish the daily tasks, this would reduce the operating costs, increase the outlet efficiency and increase the customers' satisfaction, and consequently the franchised outlets may become more profitable than company-owned outlets.

- b. Ideas and Information Source: The franchised outlets owners are well motivated since they own the business and actively participate in its management thus the business success reflects their own success and pride, in this essence they would become an inexhaustible source for the of ideas to the company to better develop and improve the outlet efficiency and effectiveness as well as they would be a valuable source of feedback information regarding the features of the products and services and they may suggest ways to improve these features from their daily interaction with the customers and users and these products and services.

From the marketing and advertisements viewpoint, the franchisees would be a valuable asset in determining the best and suitable ways to advertise and promote products and services in their territory since they are familiar with nature of the people in their areas.

7.2.3 Benefits of Franchisor's Experience:

For almost all businesses the experience and knowhow in addition to the financial resources are the foundations to the business success, the lack of one or more of these foundations may result directly in business failure. In this essence the franchise system provides the franchisees with all the experience, knowhow and even at certain cases some financial support to enable him to accomplish his duties and tasks to the fullest. The experience and knowhow is considered to be the most important aspects that must be available beside the financial resources to conduct and operate a successful business. The experience and knowhow are reflected in the forms of site selection, store development, decor and furniture, training, procurement, help and support, effective marketing and promotional campaigns and most importantly the capacity to conduct research and development for new products and services and for the existing ones as well.

Franchise success depends on how much the franchisor is capable of setting and imposing the operational procedures, standards and specifications to ensure image, quality and business uniformity and consistency cross its franchised network.

7.2.4 Franchise System Importance & Success Indicators:

The discussions concluded that the system importance and success indicators can be summarized in the following points:

- a. Increased reachability and better distribution chain.
- b. Increased brand and trademarks recognition and awareness.
- c. Increased market share.
- d. Increased customers' satisfaction.

- e. Reduced expansion risk.
- f. Reduced costs and overhead.
- g. Better financials and cash flows.
- h. Enhanced buying power.
- i. Motivated management.
- j. Fresh ideas & valuable information.
- k. Mature business experience and knowhow.

The Figure 7.1 below shows the main importance and success indicators of the franchise system that the focus groups participants agreed on, we can see that there are less agreement on some of the indicators compared to the others, for instance the enhanced buying power for the franchisor, because they thought that this indicator is more related to the total number of customers of the company rather than the number of its stores and outlets. The participants agreed that PALTEL decision on whether or not to adopt the franchising as an expansion method should relay on the evaluation of these indicators as its basis.

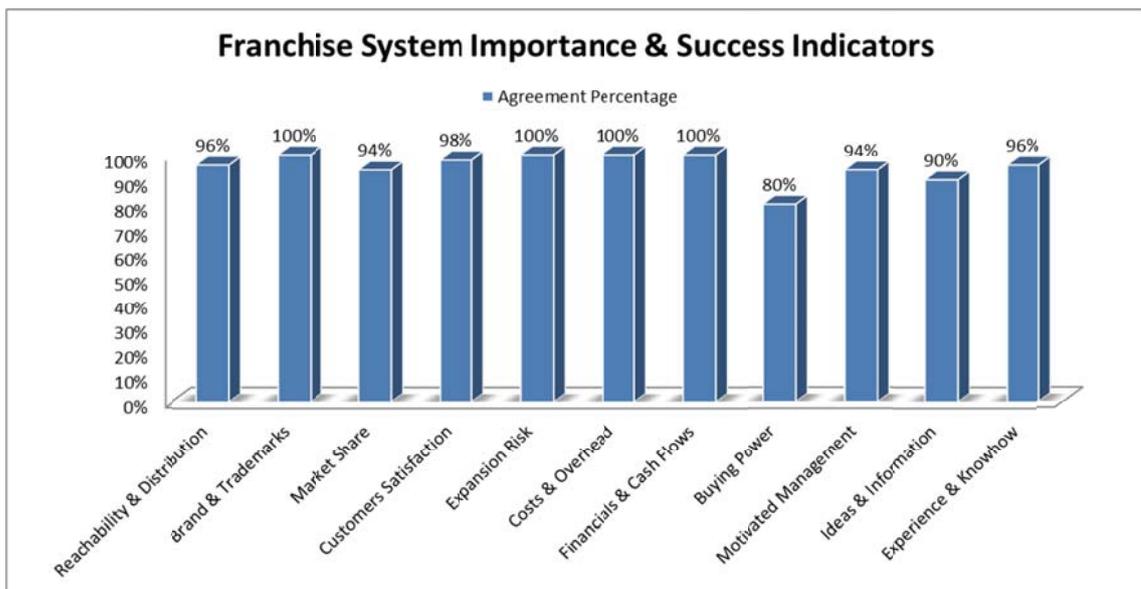


Figure 7.1: Franchise System Importance and Success Indicators.

7.2.5 The Need of Franchising System:

The participants specified that although all of the previously mentioned indicators are important. These indicators contribute directly and indirectly in the overall customers' satisfaction of the provided services of the company.

The customers' satisfaction is significantly important to any company. Without customers, the company has no reason to exist, thus every company needs to proactively define and measure its customers' satisfaction because it's simply the key factor of company's success especially in the open and highly competitive telecommunications market.

The customers' satisfaction is directly affected by many factors; from the viewpoint of this research the customers' satisfaction can be identified with the following parameters as suggested by the focus groups and interviews participants:

- a. The extent at which the current retail stores are well spread, distributed and reachable by the customers.
- b. The appropriateness of the current stores' working hours for the customers.
- c. The suitability of waiting time in the queues to receive a particular service.
- d. The time allotted for each customer when visiting the company outlets for any queries.

A survey is conducted to measure these parameters, the population of this survey is the current PALTEL customers, and accordingly the sample was randomly chosen. More than 1000 people contributed to this survey; the

survey statements can be found in Appendix 3; the participants’ responses to each statement of the survey were as follows:

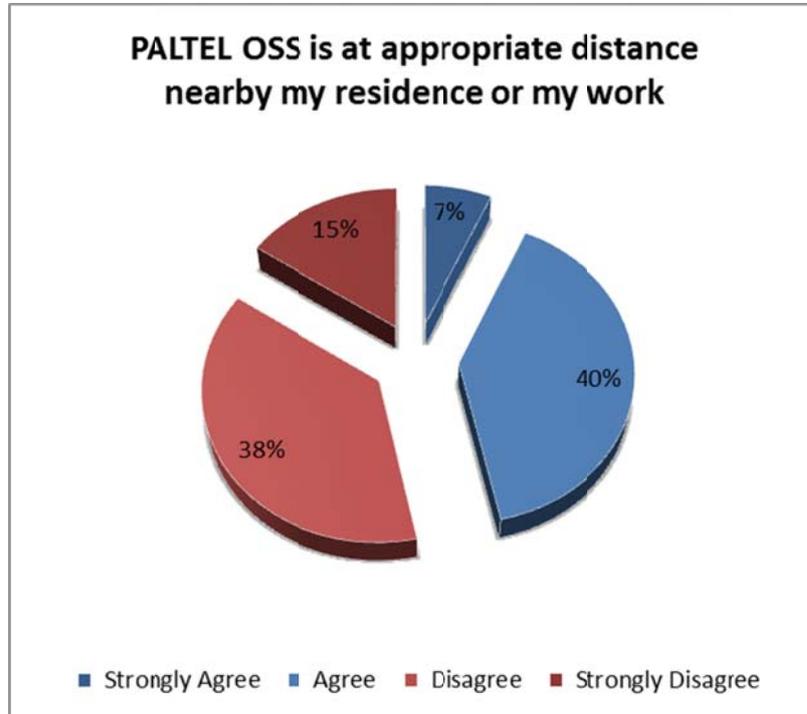


Figure 7.2: Customers’ Satisfaction Survey – Statement 1 Results.

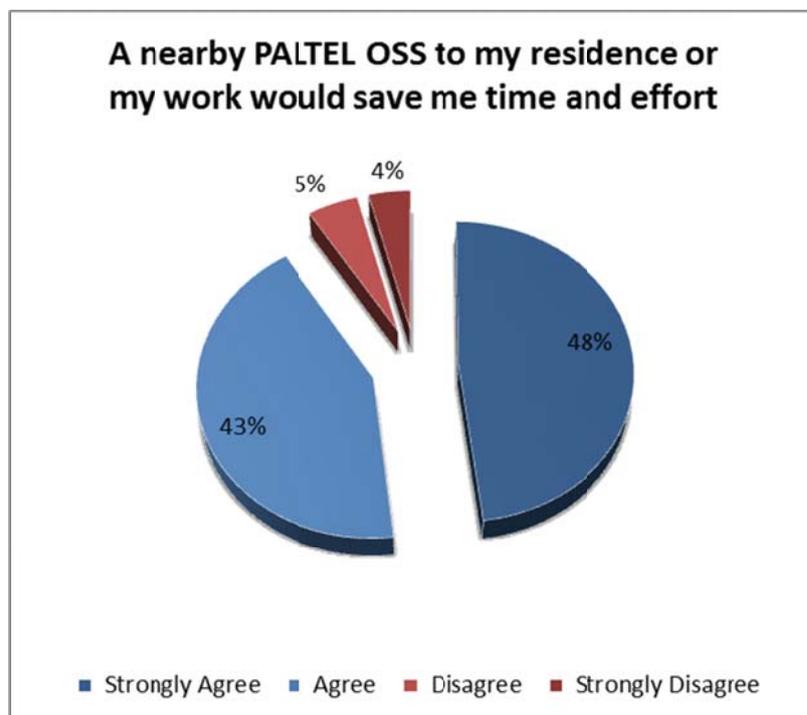


Figure 7.3: Customers’ Satisfaction Survey – Statement 2 Results.

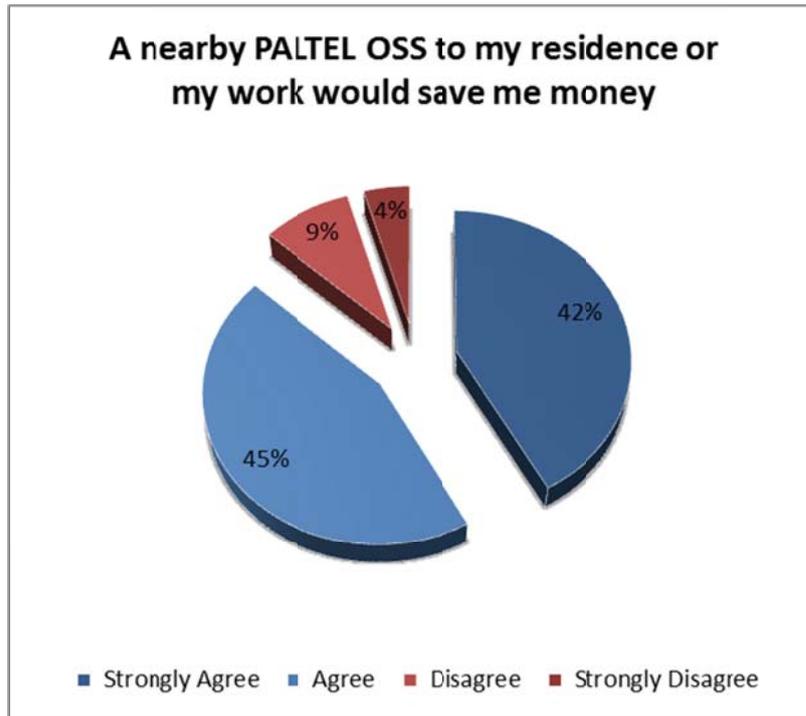


Figure 7.4: Customers’ Satisfaction Survey – Statement 3 Results.

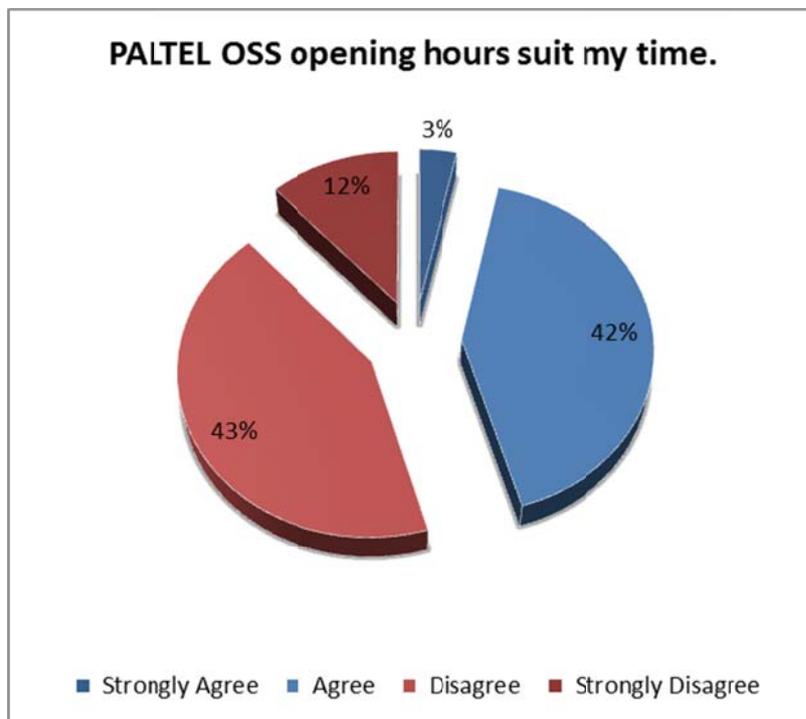


Figure 7.5: Customers’ Satisfaction Survey – Statement 4 Results.

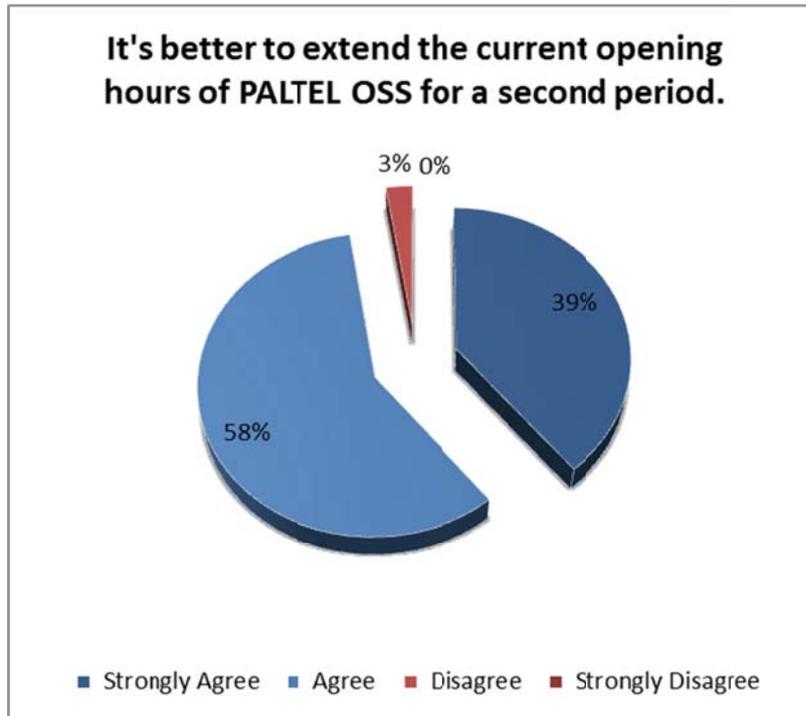


Figure 7.6: Customers' Satisfaction Survey – Statement 5 Results.

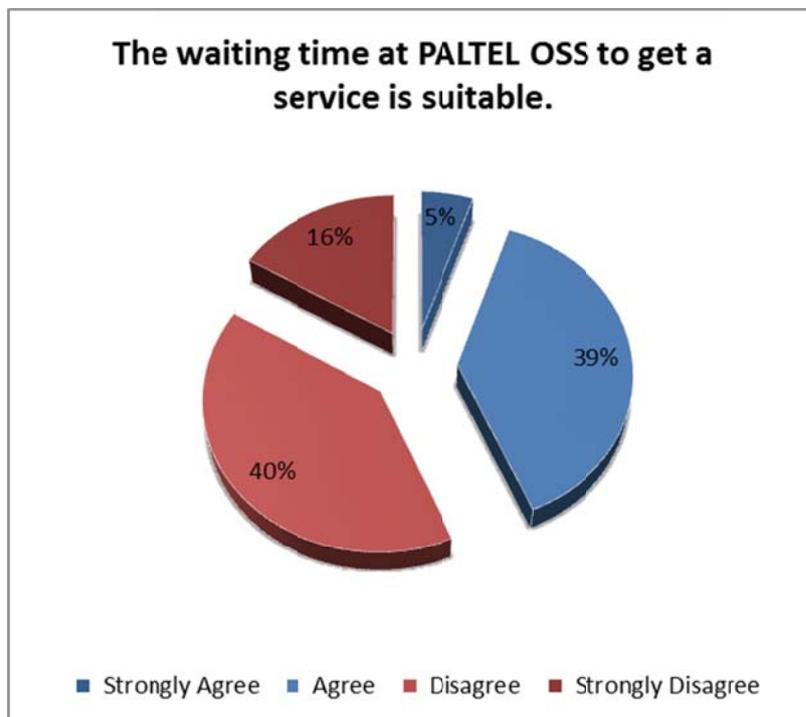


Figure 7.7: Customers' Satisfaction Survey – Statement 6 Results.

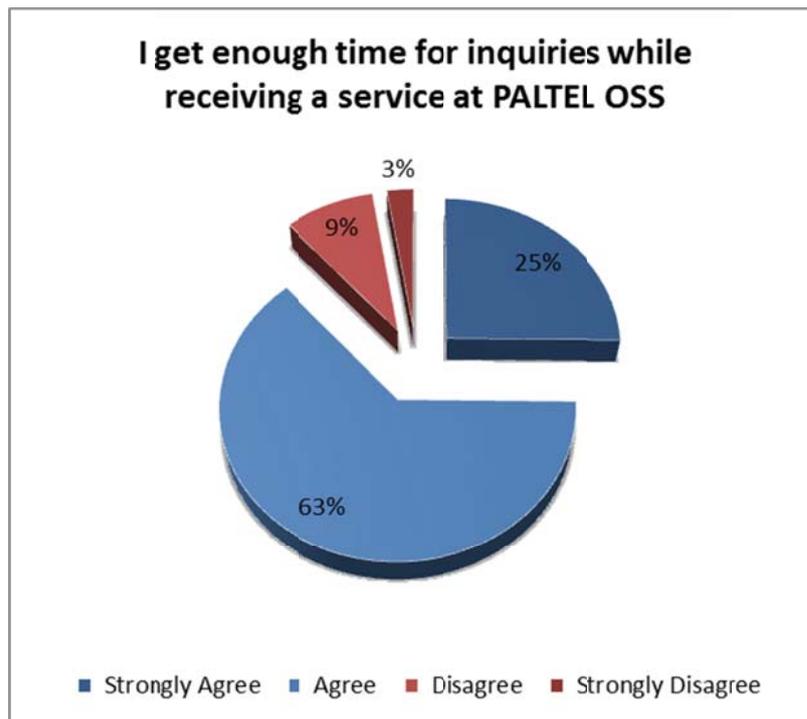


Figure 7.8: Customers' Satisfaction Survey – Statement 7 Results.

The Pearson correlation coefficient was computed between the seven statements and the customers' satisfaction, in order to test whether or not they are positively contributes to the customers' satisfaction as per the assumed hypothesis. The results were as follows:

A Pearson correlation coefficient was computed to assess the relationship between the distance of PALTEL OSSs (statement 1) and the customers' overall satisfaction. There was a positive correlation between the two variables, $r = 0.424$, $n = 1017$, $p = 0.002$, the correlation is significant at the 0.01 level (2-tailed). Overall, there was a positive correlation between the satisfaction with the distance of PALTEL OSSs (statement 1) and the customers' overall satisfaction.

A Pearson correlation coefficient was computed to assess the relationship between saving effort and time by having a nearby PALTEL OSS

(statement 2) and the customers' overall satisfaction. There was a positive correlation between the two variables, $r = 0.574$, $n = 1017$, $p = 0.000$, the correlation is significant at the 0.01 level (2-tailed). Overall, there was a positive correlation between saving effort and time by having a nearby PALTEL OSS (statement 2) and the customers' satisfaction.

A Pearson correlation coefficient was computed to assess the relationship between saving money by having a nearby PALTEL OSS (statement 3) and the customers' overall satisfaction. There was a positive correlation between the two variables, $r = 0.547$, $n = 1017$, $p = 0.000$, the correlation is significant at the 0.01 level (2-tailed). Overall, there was a positive correlation between saving money by having a nearby PALTEL OSS (statement 3) and the customers' satisfaction.

A Pearson correlation coefficient was computed to assess the relationship between the suitability of opening times of PALTEL OSS (statement 4) and the customers' overall satisfaction. There was a positive correlation between the two variables, $r = 0.583$, $n = 1017$, $p = 0.000$, the correlation is significant at the 0.01 level (2-tailed). Overall, there was a positive correlation between the suitability of opening times of PALTEL OSS (statement 4) and the customers' satisfaction.

A Pearson correlation coefficient was computed to assess the relationship between extending current opening hours for a second period for PALTEL OSS (statement 5) and the customers' overall satisfaction. There was a positive correlation between the two variables, $r = 0.310$, $n = 1017$, $p = 0.000$, the correlation is significant at the 0.01 level (2-tailed). Overall, there was a positive correlation between extending current opening hours

for a second period for PALTEL OSS (statement 5) and the customers' satisfaction.

A Pearson correlation coefficient was computed to assess the relationship between the suitability of waiting time in PALTEL OSS to get a service (statement 6) and the customers' overall satisfaction. There was a positive correlation between the two variables, $r = 0.535$, $n = 1017$, $p = 0.000$, the correlation is significant at the 0.01 level (2-tailed). Overall, there was a positive correlation between the suitability of waiting time in PALTEL OSS to get a service (statement 6) and the customers' satisfaction.

A Pearson correlation coefficient was computed to assess the relationship between the satisfaction with getting enough time for inquiries while receiving a service (statement 7) and the customers' overall satisfaction. There was a positive correlation between the two variables, $r = 0.445$, $n = 1017$, $p = 0.000$, the correlation is significant at the 0.01 level (2-tailed). Overall, there was a positive correlation between the satisfaction with getting enough time for inquiries while receiving a service (statement 7) and the customers' satisfaction.

According to Pearson correlation coefficient it was clearly shown that the customers' satisfaction is positively correlates with the different parameters that were identified and acknowledged during the discussions and interviews; the statistical analysis results can be found in Appendix 4.

From this we can conclude that the customers satisfaction is acceptable to some extent but it can be improved, the focus on customers' satisfaction improvements is a vital matter for many issues, for instance, to control and reduce the customers' churn, to increase the market share, to improve the cash flows since satisfied customers would by their bills on time and last

but not least the customers' satisfaction would affect the cost & overhead associated with the customer's acquisition each time he joins PALTEL.

Having a franchise system would definitely impact the overall customers' satisfaction, since it would assist in improving the outlets' spread and distribution hence the reachability by which the customers will save time, efforts and money as well, additionally the system would extend the normal opening hours due to motivated management of the franchised store, this very same reason which is motivation in addition to the increased number of total outlets would also positively affect the effectiveness and response time for the customers servicing and queries which will decrease the total waiting time of the customers. By combining these facts, we conclude that adopting a franchise system would results in a major increase of customers' satisfaction that leads to PALTEL's overall benefits.

7.2.6 The Need of Having a Legal Bond Between Parties:

Participants of the interviews and focus groups emphasized that the most important part of the process is to develop the legal forms and documents that would link PALTEL with the proposed franchisee. The franchise package is developed in the official form of Franchise Disclosure Document and Franchise Agreement; these documents can be found in chapter 5 and chapter 6 respectively.

7.2.7 Franchise System Challenges:

During the discussion of focus groups and within interviews it was clear that the adoption of franchise system may and would face different challenges, these challenges can range from legal and legitimate constrains

to setting the franchisees' sales and performance targets that are acceptable to both parties.

Challenges and difficulties don't stop at this point; it extends to include acquiring, training and retaining suitable franchisee's staff.

The process of finding and recruiting the suitable franchisees by itself is a challenging task specially that the franchisor needs an active and fully motivated franchisee that can achieve the assigned performance and sales targets.

Managing and auditing franchisees at different locations with various sizes and agreements by itself is another challenge that needs sophisticated inspection procedures as well as proper staff to enforce such procedures.

The lack of dispute resolution and appropriate regulations is considered to be a major challenge; although it should be clearly stated in the franchise agreement and the dispute resolution mechanism as well as the applied laws. The fact that there are no franchise laws or official regulations to guide and outline the franchise offerings and agreements in Palestine would negatively affect the spread of franchising as an expansion method.

Last but not least the franchising system and all supporting documents, associated files and operating manual have to be mature enough to bond and rule all parties in a proper way.

7.3 Conclusion:

This chapter shows the key findings and discussion of the semi-structured interviews and the focus groups that were conducted with PALTEL selected staff to develop a suitable franchise package as well as the

possibility and importance of adopting such system as an expansion method for the company. In addition the customers' satisfaction survey results are shown and discussed.

The findings illustrate the benefits that the company would obtain from adopting such system and ends with the identifying the challenges that would face such adoption.

Chapter Eight
Conclusions and Recommendations

Chapter Eight

Conclusions and Recommendations

8.1 Introduction:

This chapter reviews the problem statement, research deliverables and the methodology used to conduct this research in broad and general terms. It also summarizes the research findings, recommendations and suggestions for further studies.

8.2 Conclusion:

PALTEL is the incumbent telecom operator in Palestine; although PALTEL is leading the telecom sector in the state, it still has many ambitious plans to execute for the sole purpose of sustaining its leader position. PALTEL is eager to maintain and increase its customer base by providing them high quality products and services coupled with excellent customers' services. A company success is usually measured by the type and quality of products and services it provides as well as its reachability and customers' satisfaction in addition to its profitability of course.

This study suggests the franchising as a method of retail expansion for PALTEL data services, in order to better introduce the products and services to the market as well as gaining more control over distributors and retailers with minimal risk and maximal flexibility.

This study in essence targets to find out a suitable way to implement expansion through franchising system to build a harmonic, state of the art distribution network that offers the latest-cutting edge products and services as well as maintaining the same look and feel and the same

corporate image all over areas covered under the license of PALTEL. This study is crucial to control the quality of service and the quality of experience offered by PALTEL distributors and retailers for its customers.

Expansion is vital to the company survival and success; the expansion at its heart means better presence, better distribution chain, better sales and better service availability which will all lead to a higher customer satisfaction by which PALTEL guarantees a higher rate of return for its stakeholders and investors. Managing and controlling this expansion properly is what this study is all about. The intended deliverables of this study are a franchise package and an assessment of the possibility of adopting franchising as a proper expansion method through measuring the customers' satisfaction from the current retail network of PALTEL and what potential benefits the franchising system would offer to the company.

This study through its various chapters illustrates the process used to achieve the intended deliverables. The study began with a literature review of the subject matter, and then interviews and focus groups with PALTEL directors, managers, supervisors and employees as well as selected dealers in addition to a customers' satisfaction survey were conducted to collect the relevant data needed to form the franchise package and to assess the customers' satisfaction of the current retail and distribution network of PALTEL.

After carrying out the data collection and data analysis phases, it was clearly concluded that adopting a franchise system as an expansion method for retailing the data services is an important change in the retailing strategy that PALTEL's top management needs to take into consideration. Adopting such system will assist PALTEL in improving the efficiency and

effectiveness of its distribution network which will results in a major change to the PALTEL's overall sales performance.

Franchising systems tends to increase the profit of the company that uses the system, but this increase depends on the wise and successful management of the relationship between the franchise owner and its franchisees. Defining the right combination of relationship structure is the key to the success of both the franchisor and its franchisees. This study articulates in details the suggested relationship between PALTEL as the franchisor and its proposed franchisees as described in Chapter 5 and Chapter 6.

The main advantages of adopting franchising system for PALTEL as concluded after this study can be summarized in the following points:

- a. A suitable method to quickly and easily expand and spread PALTEL outlets which will lead to a better market penetration.
- b. A great method to expand and spread with minimal investments risks.
- c. PALTEL would have lower capital investments associated to the expansion and better return on investments "ROI".
- d. PALTEL will benefit from the franchisees' motivated management which will lead to positive impact to the overall retailing performance and effectiveness.
- e. The franchisees will form an important source of products concepts, services ideas and marketing models through their direct interaction with the customers and their knowledge of the market needs in each and every location.

- f. The franchisees will form a great source of feedback and information about the market and how customers perceive the value of products and services.
- g. PALTEL will have a huge wisely spread network which will act as sensors for marketing intelligence.
- h. Controlling procedures and performance measurements of the franchising system will enable PALTEL to deliver a consistent and better quality in addition to enhanced overall productivity using unified and branded channels.
- i. Franchising system will enable PALTEL to run and operate with a more cost effective labor force as well as reducing the overhead associated to retailing and its logistics.
- j. PALTEL will have a better spread of its brand and trademarks, which will ultimately increase the brand awareness.
- k. PALTEL brand value will increase following to the increase of the brand spread and awareness, the brand value have a great influence on stock market values and eventually on the investors' decisions who base their investment strategies on familiar and well-known brands.
- l. Last but not least adopting the franchise system will increase PALTEL's support and participation in the national economy by introducing new working opportunities both directly and indirectly.

On the other hand, adopting a franchise system will certainly have some drawbacks and limitations; the main limitations found by this study can be summarized as the following:

- a. A considerable effort and investment is required to build the system infrastructure and operational model.
- b. A considerable level of administration load is required to monitor and support the franchisees' operations.
- c. Lack of qualified candidates to hold the franchise is main issue to be considered, this will increase the overheads associated to franchisees recruitment, training and support.
- d. The franchisees' commitments to fulfill PALTEL's mission and vision objectives are mostly based on the franchise agreement and other associated contracts but nothing else.
- e. Confidential business information and trade secrets should be shared with the franchisees.
- f. If the franchise system is not well handled it would become a major risk to PALTEL brand name, trademarks, reputation and goodwill.

A survey from the viewpoint of this research was conducted to measure the customers' satisfaction through various indicators that were recommended by the participants of focus groups and interviews. The survey proved that the selected indicators have a positive correlation with the overall satisfaction of the customers.

Adopting a franchise system will definitely increase the customers' satisfaction by improving the performance of the selected indicators and other related ones. This will enhance the customer experience, increase the customers' loyalty and improve the rapport between the store employees and the customers.

8.3 Recommendations:

In addition to what has been discussed above, the following points summarize the main recommendations the PALTEL needs to take into consideration to achieve better performance in its distribution network.

- a. Building extensive brand awareness is an important and vital point for PALTEL, thus it should be reinforced by adopting creative expanding methods.
- b. Top management long term support is critically important to establish and maintain the franchising system.
- c. Effective change management and knowledge transfer strategies and procedures have to be developed with the support of top management to ensure the effective implementation of the system.
- d. It must be clear that adopting this new system requires a lot of effort and money to be spent and most importantly it requires devotion and dedication to make the suitable change and transfer to the new system as the required human resources are needed for a relatively long period in order to make out this system.
- e. Effective communication channels must be established and maintained to preserve good relationships between PALTEL and its franchisees which are in the interest of both parties.
- f. The franchise system once applied must be continuously evaluated and assessed. Proactive as well as quick reactive improvements are crucially important to increase and develop the overall systems' capabilities and performance.

8.4 Suggestions for Further Studies:

There are different areas of franchising which can be studied in future as this topic is considered to be relatively new in Palestine, these topics include the following:

- a. Legal and cultural barriers of franchising in Palestine.
- b. Franchising barriers in different industries.
- c. Willingness of local business to become a franchisee company.
- d. Franchising of Palestinian companies in other countries.

Last but not least this study proposes a franchise system for PALTEL to adopt, there is a need for further study that evaluates and assesses the franchise performance in case it was applied by the company.

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Appendices

Appendix 1

Semi-structured Interviews

Dear Sir/Madam,

As part of my thesis requirement for the degree of Master of Engineering Management, I'm currently working on a research paper titled "PALTEL DATA Services Franchise". The purpose of this interview is to gather information for my research paper in order to develop a franchise package for PALTEL DATA Services. It would be so kind of you if you gave me some of your time to discuss the below questions together, knowing that our discussion will be strictly confidential and it will be used for academic purposes only.

Interview Questions:

1. Do you think PALTEL would benefit from adopting a Franchise System? How?
2. How can a Franchise System help PALTEL to achieve its goals?
3. Do you think that adopting a franchise system will affect PALTEL retail sales?
4. Do you think PALTEL should select and control the products and services that would be offered at the franchised stores?
5. What kind of responsibilities do you think it should be included on the franchise package?
6. What are the obstacles and challenges that you think it will face such system?

Appreciate your assistance and understanding,

Kind Regards,

Appendix 2

Focus Groups Questions

Dear Colleagues,

As a part of my thesis requirements for the degree of Master of Engineering Management, and as a part of my data collection instruments, you're kindly invited to join the focus group about PALTEL Franchise System development, as the following:

- Place: Marketing Meeting Room (7th Floor)
- Duration: 1:30 – 2:00 hours.

The session will start with quick presentation about the franchising systems; and then we'll discuss the topic from different sides, the following questions summarize the needed details. You are kindly invited to actively participate in the session and kindly get prepared for the following questions:

1. Do you have any prior knowledge about franchising?
2. What do you think of the concept of franchising?
3. Do you think franchisees have to pay franchise fees to PALTEL? Why?
4. What do you think about the products and services that should be available at the stores?
5. Do you think PALTEL should limit and enforce guidance on the available products and services that would be available at the stores?
6. What constraints and obligations should be applied on the franchisee? This would include the discussion of the following areas:
 - a. Operations and management.

- b. Preparations and maintenance.
 - c. Financials.
 - d. Auditing.
 - e. Legal terms and conditions.
7. What assistance and help PALTEL should provide to the franchisee?
The following areas will be discussed:
- a. Pre-Opening Assistance (decor, look and feel, signs and displays and furniture, etc...).
 - b. On-Going Assistance (help, support, advertising, training and systems maintenance, etc...).
8. What about store location? Do you think PALTEL should apply restrictions on store location?
9. What do you think about legal terms and conditions that PALTEL should consider in the legal agreement?

With all the respect and Appreciation...

Appendix 3

إستطلاع رأي حول مراكز خدمات الاتصالات الفلسطينية

تحية طيبة وبعد،

بداية أشكر لكم حسن اهتمامكم وأثنى عالياً إعطائي وقتاً قصيراً لتعبئة هذه الاستبانة التي أقوم بها ضمن رسالة الماجستير الخاصة بي في برنامج الإدارة الهندسية - كلية الدراسات العليا في جامعة النجاح الوطنية حول مراكز خدمات الاتصالات الفلسطينية.

يرجى من حضرتكم التكرم باختيار العبارة التي تعبر عن رأيكم حول كل من الجمل التالية:

#	موافق بشدة	موافق	معارض	معارض بشدة
1				مركز خدمات الاتصالات يبعد مسافه مناسبة عن مكان سكني أو عملي.
2				وجود مركز خدمات الاتصالات قريب من مكان سكني أو عملي يوفر علي الوقت والجهد.
3				وجود مركز خدمات الاتصالات قريب من مكان سكني أو عملي يوفر علي المال.
4				أوقات دوام مراكز خدمات الاتصالات تتناسب وقتي.
5				من الافضل وجود فترة دوام مسائية لمراكز

				خدمات الاتصالات.	
				وقت الانتظار في مركز خدمات الاتصالات أثناء الحصول على خدمة معينة هو مناسب جدا.	6
				عند زيارة مركز خدمات الاتصالات فإنني أحصل على الوقت الكافي لأي إستفسار.	7

مع كل الشكر والتقدير،،،

Appendix 4

This appendix shows the frequency tables, results of Pearson correlation coefficient calculations for each survey statements and the customers' satisfaction as well as the data reliability calculations as generated using the SPSS software.

Frequency Tables

مركز خدمات الاتصالات يبعد مسافه مناسبة عن مكان سكني أو عملي

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	معارض جدا	158	15.5	15.5	15.5
	معارض	385	37.9	37.9	53.4
	موافق	406	39.9	39.9	93.3
	موافق جدا	68	6.7	6.7	100.0
	Total	1017	100.0	100.0	

وجود مركز خدمات الاتصالات قريب من مكان سكني أو عملي يوفر علي الوقت والجهد

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	معارض جدا	41	4.0	4.0	4.0
	معارض	50	4.9	4.9	8.9
	موافق	437	43.0	43.0	51.9
	موافق جدا	489	48.1	48.1	100.0
	Total	1017	100.0	100.0	

وجود مركز خدمات الاتصالات قريب من مكان سكني أو عملي يوفر علي المال

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	معارض جدا	45	4.4	4.4	4.4
	معارض	90	8.8	8.8	13.3
	موافق	455	44.7	44.7	58.0
	موافق جدا	427	42.0	42.0	100.0
	Total	1017	100.0	100.0	

أوقات دوام مراكز خدمات الاتصالات تناسب وفتي

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	معارض جدا	119	11.7	11.7	11.7
	معارض	436	42.9	42.9	54.6
	موافق	427	42.0	42.0	96.6
	موافق جدا	35	3.4	3.4	100.0
	Total	1017	100.0	100.0	

من الافضل وجود فترة دوام مسائية لمراكز خدمات الاتصالات

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	معارض	26	2.6	2.6	2.6
	موافق	593	58.3	58.3	60.9
	موافق جدا	398	39.1	39.1	100.0
	Total	1017	100.0	100.0	

وقت الانتظار في مركز خدمات الاتصالات أثناء الحصول على خدمة معينة هو مناسب جدا

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	معارض جدا	166	16.3	16.3	16.3
	معارض	408	40.1	40.1	56.4
	موافق	390	38.3	38.3	94.8
	موافق جدا	53	5.2	5.2	100.0
	Total	1017	100.0	100.0	

عند زيارة مركز خدمات الاتصالات فإنني أحصل على الوقت الكافي لأي إستفسار

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	معارض جدا	26	2.6	2.6	2.6
	معارض	90	8.8	8.8	11.4
	موافق	645	63.4	63.4	74.8
	موافق جدا	256	25.2	25.2	100.0
	Total	1017	100.0	100.0	

Pearson Correlation

Statement 1

Correlations

		مركز خدمات الاتصالات يبعد مسافه مناسبة عن مكان سكني أو عملي	Customers' Satisfaction
مركز خدمات الاتصالات يبعد مسافه مناسبة عن مكان سكني أو عملي	Pearson Correlation	1	.424**
	Sig. (2-tailed)	.	.000
	N	1017	1017
Customers' Satisfaction	Pearson Correlation	.424**	1
	Sig. (2-tailed)	.000	.
	N	1017	1017

** . Correlation is significant at the 0.01 level (2-tailed).

Statement 2

Correlations

		وجود مركز خدمات الاتصالات قريب من مكان سكني أو عملي يوفر علي الوقت والجهد	Customers' Satisfaction
وجود مركز خدمات الاتصالات قريب من مكان سكني أو عملي يوفر علي الوقت والجهد	Pearson Correlation	1	.574**
	Sig. (2-tailed)	.	.000
	N	1017	1017
Customers' Satisfaction	Pearson Correlation	.574**	1
	Sig. (2-tailed)	.000	.
	N	1017	1017

** . Correlation is significant at the 0.01 level (2-tailed).

Statement 3

Correlations

		وجود مركز خدمات الاتصالات يوفر علي المال	Customers' Satisfaction
وجود مركز خدمات الاتصالات قريب من مكان سكني أو عملي يوفر علي المال	Pearson Correlation	1	.547**
	Sig. (2-tailed)	.	.000
	N	1017	1017
Customers' Satisfaction	Pearson Correlation	.547**	1
	Sig. (2-tailed)	.000	.
	N	1017	1017

** . Correlation is significant at the 0.01 level (2-tailed).

Statement 4

Correlations

		أوقات دوام مراكز خدمات الاتصالات تناسب وفتي	Customers' Satisfaction
أوقات دوام مراكز خدمات الاتصالات تناسب وفتي	Pearson Correlation	1	.583**
	Sig. (2-tailed)	.	.000
	N	1017	1017
Customers' Satisfaction	Pearson Correlation	.583**	1
	Sig. (2-tailed)	.000	.
	N	1017	1017

** . Correlation is significant at the 0.01 level (2-tailed).

Statement 5

Correlations

		من الافضل وجود فترة دوام مسائية لمراكز خدمات الاتصالات	Customers' Satisfaction
من الافضل وجود فترة دوام مسائية لمراكز خدمات الاتصالات	Pearson Correlation	1	.310**
	Sig. (2-tailed)	.	.000
	N	1017	1017
Customers' Satisfaction	Pearson Correlation	.310**	1
	Sig. (2-tailed)	.000	.
	N	1017	1017

** . Correlation is significant at the 0.01 level (2-tailed).

Statement 6

Correlations

		وقت الانتظار في مركز خدمات الاتصالات أثناء الحصول على خدمة معينة هو مناسب جدا	Customers' Satisfaction
وقت الانتظار في مركز خدمات الاتصالات أثناء الحصول على خدمة معينة هو مناسب جدا	Pearson Correlation	1	.535**
	Sig. (2-tailed)	.	.000
	N	1017	1017
Customers' Satisfaction	Pearson Correlation	.535**	1
	Sig. (2-tailed)	.000	.
	N	1017	1017

** . Correlation is significant at the 0.01 level (2-tailed).

Statement 7

Correlations

		عند زيارة مركز خدمات الاتصالات فإنني أحصل على الوقت الكافي لأي إستفسار	Customers' Satisfaction
عند زيارة مركز خدمات الاتصالات فإنني أحصل على الوقت الكافي لأي إستفسار	Pearson Correlation	1	.445**
	Sig. (2-tailed)	.	.000
	N	1017	1017
Customers' Satisfaction	Pearson Correlation	.445**	1
	Sig. (2-tailed)	.000	.
	N	1017	1017

** . Correlation is significant at the 0.01 level (2-tailed).

Reliability

***** Method 1 (space saver) will be used for this analysis *****

R E L I A B I L I T Y A N A L Y S I S - S C A L E (A L P H A)

Reliability Coefficients

N of Cases = 1017.0

N of Items = 7

Alpha = .8609

ب

إمّياز تقديم خدمات البيانات لشركة الاتصالات الفلسطينية – بالّتل

إعداد

إبراهيم نبهان سلمان

إشراف

د. بشار صدر

الملخص

يهدف هذا البحث إلى تطوير نظام خاص لإدارة إمّياز تقديم خدمات البيانات لشركة الاتصالات الفلسطينية – بالّتل، من أجل بناء شبكة متناسقة وحديثة ومميزة من مراكز البيع ومعارض التجزئة الخاصة بخدماتها مع الحفاظ على الصورة المؤسسية الخاصة بالّتل في جميع المناطق التي تقدم فيها الشركة خدماتها وسيوفر هذا النظام بديلا إستراتيجيا للطريقة المستخدمة حاليا من قبل بالّتل لتحقيق الانتشار والتوسع المطلوب.

استخدم الباحث كلا المنهجين النوعي والكمّي لإتمام عمله البحثي، حيث تم جمع البيانات عن طريق إجراء مقابلات متخصصة وتنظيم مجموعات عمل بؤرية حيث كان إختيار المشاركين من تخصصات مختلفة وبناء على مدى معرفتهم بالموضوع. بالإضافة لذلك تم البحث في الوثائق والنصوص المتوفرة عن الموضوع وعمل استبانة خاصة لقياس مدى رضى المشتركين عن مراكز خدمات الاتصالات للحصول على معرفة أكبر وإثراء موضوع البحث من مختلف جوانبه.

جرى تحليل البيانات التي تم جمعها وبناء على ذلك تم تصميم نظام الإمّياز المقترح ليتناسب مع إحتياجات الشركة وفلسفتها في خدمة مشتركها بالإضافة إلى إحتياجات ومتطلبات المشتركين أنفسهم، وتم أخذ نتائج استبانة رضى المشتركين عن مراكز خدمات الاتصالات بعين الإعتبار أثناء

ج

تصميم هذا النظام حيث سيتمكن النظام الجديد من زيادة رضى المشتركين عن مراكز البيع والمعارض التابعة للشركة.

تتلخص نتائج البحث في تطوير نظام الامتياز الخاص بتقديم خدمات البيانات لشركة الاتصالات الفلسطينية والذي يتكون من الشروط والاحكام الخاصة بنظام الإمتياز إضافة إلى نموذج الإتفاقية الخاصة بين بالتل والجهة الحاصلة على الإمتياز، حيث يمكن هذا النظام شركة الإتصالات الفلسطينية من تقديم خدماتها ومنتجاتها لمشتركيها بكفاءة وفاعلية ومرونة أكبر إضافة الى تقليل حجم الاستثمارات الخاصة بالتوسع والانتشار وبالتالي تقليل المخاطر الناتجة عنها.

تم استخلاص ومناقشة الآثار الايجابية العائدة على شركة الاتصالات الفلسطينية في حال تبنيها لمثل هذا النظام إضافة الى الصعوبات والعوائق التي قد تعترض تطبيقه، ومن جانب آخر تم تقديم توصيات خاصة تدعم تطبيق نظام الامتياز المقدم بصورة أفضل وفاعلية أكبر.