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Publication:

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1. The Franchise Relationship-Entrepreneurship or Dependence?

John Stanworth, University of Westminster (UK)

2. The Evolution and Characteristics of Franchising in the 1980s

Francine Lafontaine, University of Michigan

3. An Investigation of Franchisor Growth Rates by Industry

James G. Combs, Louisiana State University

Robert T. Justis, Louisiana State University

Gary J. Castrogiovanni, Louisiana University

Peng S. Chan, California State University- Fullerton

4. Master Franchising and System Growth Rates

Patrick J. Kaufmann, Georgia State University

Sang Hyeon Kim, Georgia State University

Master franchising is employed by a large proportion of franchise systems. Because it is theoretically linked to decreased operational efficiency, it was proposed that a desire for increased growth was its motivating factor. In this study we test the relationship between system growth rates and the use of master franchising. The results indicate that its use is associated with higher system growth rates. Hypothesized differences between growth rates in systems using area development agreements and those using subfranchising agreements were not supported. As predicted, systems employing area development agreements were also found to have a larger percentage of company owned units than those using subfranchising, reflecting the similarity between company owned chains and the mini-chains created by area developers.

5. Franchise Vs. Non-Franchise Restaurant Attrition: Year-Three of a Yellow Pages Longitudinal Analysis

Wilke English, University of Texas at El Paso

Jo Willems, University of Texas at El Paso

Proponents of franchising like to cite the higher rates of franchise outlet success as compared with independent establishments. Furthermore, proponents of franchising generally credit the standardized business format as the primary reason for that greater success.

It is the contention of the authors that other factors, particularly the greater initial investment of the franchisees, have more to do with their greater success than their association with the franchising format.

This paper reports on year-three of what must necessarily be a multi-year longitudinal study. In addition to collecting data on the initial investment of this year's set of 'first-time' restaurants, the paper also reports the findings after tracking the restaurants for two years. Analysis of the discontinued restaurants indicates that they were extremely undercapitalized and extremely underpromoted as compared with the restaurants that are still surviving.

6. Strategy Implementation, Firm Performance and Satisfaction: An Exploratory Study of the Hospitality Industry

H.G. Parsa, State University College at Buffalo Mahmud A. Khan, Virginia Polytechnic Institute & State University

7. The Development and Assignment of Territories: Dual Distribution and Conflict within Maturing Franchise Systems

Robert E. Stassen, University of Arkansas

Robert A. Mittelstaedt, University of Nebraska- Lincoln

ABSTRACT. The continued expansion of business format franchising in the U.S. has generally been assumed to have come at the expense of other non-franchised establishments. Recent efforts to regulate franchisor encroachment, however, suggest that this growth has come with some cannibalization of existing system sales. The paper presents a model which illustrates the potential for conflict between franchisors and franchisees which develops from additional outlets within a market. Data on franchisor-owned outlets supports the propositions developed from the model. The implications of franchise growth through expansion from the Iowa Franchise Law are discussed for franchisees and franchisors.

8. Advertising Fees in the Franchised Channel

Kabir C. Sen, Lamar University

Most franchisees in business format franchising are required to contribute a specified percentage of their sales revenues as advertising fees to franchisors. According to previous researchers on franchising, these fees are usually deposited in a national promotion fund which is used by franchisors for preserving the chain's brand name strength. This paper postulates hypotheses for the determinants of advertising fees and evaluates them through an empirical analysis of a representative sample of franchisors. Although some of the hypotheses are validated, a further analysis on a sub-sample does not show a significant correlation between franchisors who charge advertising fees and those who use the national media. These results are used to suggest directions for future research as well as directions for charging advertising fees which should reduce channel conflict in this popular marketing channel.

9. The Effect of Product Liability Law on Optimal Service and Advertising Levels for Franchised Channels

David E. Griffith, University of Oklahoma

Fred W. Morgan, University of Oklahoma

Franchisors, like other members of the distribution channel, are now increasingly exposed to product liability litigation. With the advent of strict liability for faulty products and the extension of negligence to include franchisees' employees, franchisors must make decision regarding activities which could lessen their product liability exposure while also minimizing consumers' injuries. Cases involving potential franchisor liability are utilized to generate a series of models for allocating product liability within franchised channels.

10. Too Close? Site Location and the Iowa Act

Jo Willems, University of Texas at El Paso

Wilke English, University of Texas at El Paso

Gordon Storholm, St. John's University

Executive Summary

The Iowa Franchise Act is generally regarded as the strongest piece of franchisee protection legislation ever enacted. One of the more interesting sections involves restrictions against encroachment within three miles of existing outlets by newly sited outlets. In an effort to gauge how different site placement would be under such legislation, maps showing the current placement of outlets in El Paso, Texas were created. Although many outlets were substantially closer than the specified three miles, the question of ownership must also be considered. In the majority of cases, all of the outlets within a given franchise system were owned by the same investor, who was no doubt, an active participant in the selection of the 'too-close' sites. Thus, in determining future site placement, there might not be the dramatic reduction in the number of future outlets that would be anticipated from simply counting the number of outlets in violation of the standard.

11. Entitlements to Goodwill in Franchising

Des Giugni, University of New South Wales (AUSTRALIA)

12. Building a Foundation for the Responsible Development of a Franchising Program

Andrew J. Sherman, Silver, Freedman & Taff

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13. An Assessment to Determine How a Franchisees Thorough Understanding of the Disclosure Statement Would Affect Potential Legal Pitfalls in a Franchisor-Franchisee Relationship

Scott Witzman, University of Nevada-Las Vegas

An analysis of a hotel franchisee's thorough understanding of the franchisor's disclosure statement was conducted with franchisee participants from four major hotel chains in Southern California and Las Vegas. An assessment of these results was used to determine if there were correlations between the franchisee's perceived clarity of the document and the number of legal problems subsequently encountered. The results from this paper will give prospective hotel franchisees guidelines to follow that will help them make more informed and intelligent franchise purchase decisions.

14. Dispute Resolution in Franchising

Andrew Terry, University of New South Wales (AUSTRALIA)

15. The Influence of Psychological Climate on Conflict Resolution in Franchising Channels

David Strutton, University of Southwestern Louisiana

Lou E. Pelton, Augusta College

Abstract

Certain conflict resolution strategies should prove more useful than others in the management of franchising channel conflict. A deeper understanding into the nature of manageable channel climate conditions that may affect franchisee's tendency to initiate specific conflict resolution strategies should prove useful. To that end, the relationship between franchisee's perceptions of their franchising channels organizational climate and the franchisee's tendency to engage specific conflict resolution strategies was investigated. Significant overall differences in the organizational climate perceptions held by franchisees who engaged in *problem-solving, persuasion, bargaining* and *politicking* conflict resolution strategies were observed.

16. Gaining Historical Perspectives on Franchising in Japan

Faye S. McIntyre, University of Mississippi

Richard M. Hargrove, University of Mississippi

17. A Cross-Cultural Study of American and Russian Hotel Employees: A Preliminary Review and its implications for Franchisors

Dianne H.B. Welsh, Eastern Washington University at Cheney

Skip Swerdlow, University of Nevada-Las Vegas

18. Retail Franchising in France and Germany-Strategic Overview

Nitin Sanghavi, University of Manchester (UK)

19. Pizza Hut in Moscow: Post-Coup System Development and Expansion

Ronald L. Christy, Wichita State University

Sandra M. Haftel, Wichita State University

20. Cultural Dimensions: Effect on Franchising Governance Structure

Audhesh K. Paswan, University of South Dakota

ABSTRACT

Franchisors entering the international market face several problems. Cultural diversity is one of them and it has been suggested to affect organizational structure. This study examines extant literature on the cultural aspects and governance structure. Based on this review several propositions are suggested relating the dimensions of governance structure and culture. Further, tentative empirical evidence, although inadequate, is provided to support the relationship between governance structure and culture. Finally, the implications for franchisors are suggested along with future research directions.

21. An Application of Population Ecology to Franchised and Non-Franchised Establishments

Bruce K. Pilling, Georgia State University

Steve E. Henson, Georgia State University Boonghee Yoo, Georgia State University

Population ecology is presented as a potentially useful framework for understanding franchise systems. Organizational forms are viewed as competing for scarce resources, with success or failure largely determined by the "fit" of the organization to the prevailing environment. A typology of organizations is presented, based on classifications of organizational types that should be successful under different environmental conditions. The typology is then applied to franchising to develop hypotheses. Census data from the refreshment and restaurant industries are analyzed to test the hypotheses.

22. Managing Supplier/Manufacturer Relationships Through Backward Franchising

Robert D. Winsor, Loyola Marymount University

Shirish P. Dant, St. Louis University

ABSTRACT

The purpose of this paper is to suggest a new perspective regarding the franchise agreement, expanding the concept to include the management of supplier/manufacturer relationships, referred to here as backward franchising. As in traditional forms of franchising, but based upon a model of currently evolving supplier/manufacturer relationships, backward franchising concerns the creation of a business opportunity, through a cooperative and mutually beneficial association between businesses at two different levels in a marketing or distribution channel. While few of the separate elements in the proposed concept are unfamiliar, the authors suggest the "franchise" designation as a way to descriptively characterize the unique relationship proposed.

23. Contractual Dimensions and Transaction Specific Investments in Vertically Integrated Marketing Channel Systems

James T. Simpson, University of Alabama at Huntsville

Chris Paul, University of Alabama at Huntsville

24. An Alternative Perspective on Control Structures in Franchised Distribution Systems

Chris Manolis, University of Kentucky

Robert Dahlstrom, University of Kentucky

Abstract

Contemporary institutional economics recognizes that exchange relationships are maintained by mechanisms of price, authority, and trust. Although these relationships may be combined in a number of ways, most research treats authority as an antecedent to trust. Our analysis proposes conditions under which trust influences authority structures in franchised distribution systems.

25. The Roles of Relational Norms and Bureaucratic Structuring Under the Different Types of Channel Systems in Korean Petroleum Industry

Sejo Oh, Yonsei University (KOREA) Kyong Sei Sohn,

Yonsei University (KOREA) Jinyeo Jeong, Yonsei University (KOREA)

ABSTRACT

This study examines how relational norms and bureaucratic structuring operate under the different types of channel systems, namely the corporate system and the franchised system, in buyer-seller exchange relationships in the Korean petroleum industry. The results indicate that in the corporate system the use of relational norms can more subjugate the defects of bureaucratic structuring and smooth the exchange relationships than in the franchised system.

26. Dimensionalizing the Quality of Franchise Relationships

Rajiv P. Dant, Boston University

Zhan G. Li, Boston University

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ABSTRACT

In this paper we develop the premise that delivered service quality at a franchise outlet will be a function of the quality of relationship between franchisors and their franchisees. In other words *your employees will treat your customers the way you treat them*. Next, we review the literature to arrive at a comprehensive definition for "quality of relationship" in a franchise context. Finally, extant empirical literature is examined to evaluate the operational measures that have been employed to tap this construct. Specific recommendations about how the quality of franchisor-franchisee relationships should be measured are offered.