International Society of Franchising ISOF Papers

2001 International Society of Franchising
15th Annual Conference
International Diversity in Franchising: Towards a Global Understanding

Las Vegas, Nevada
February 24 - February 25, 2001

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1. Communication Satisfaction Among Employees in Franchised Lodging Chains: A Preliminary View of New Research

Skip Swerdlow, University of Nevada, Las Vegas Wesley S. Roehl, Temple University

2. Overall Franchisee Satisfaction: A Predictive Model

Douglas C. Haines, University of Idaho

Frank. H. Wadsworth, Indiana University Southeast

This paper examines whether the underlying dimensions of franchisee satisfaction are predictive of overall franchisee satisfaction. Previous exploratory factor analysis identified seven dimensions of franchisee satisfaction: Relationship, Financial, Training, Fees, Brand Image, Entrepreneurial Control and Franchise Contract. These seven factors are included in a model to predict overall franchisee satisfaction. Results show that Relationship, Financial, Training and Brand Image factors are significant predictors of overall franchisee satisfaction. Franchisors, franchisees and others concerned with improving overall franchisee satisfaction may focus their efforts on these particular dimensions and expect to improve overall satisfaction.

3. An Ounce of Prevention is Worth a Pound of Cure: Findings from National Franchisee (dis-) Satisfaction Study in Finland

Mika Tuunanen, University of Jyvaskyla, Finland

The paper examines franchise owners' satisfaction with their businesses. Job satisfaction, its antecedents and outcomes have been a popular topic in organizational studies whereas very few investigations have focused on entrepreneurial satisfaction. This is rather surprising since satisfaction has been emphasized as a fundamental measure for individual entrepreneurs (Cooper & Artz, 1993). Especially in franchising, satisfaction is a key concept in understanding channel member behavior (Robicheaux & El-Ansary, 1975-1976).

A six-page questionnaire was mailed to 815 franchisees representing thirty-six retail, service, restaurant, café and fast food franchises. This nationwide sample represented more than forty percent of the total amount of franchisors and over half of all franchisees in Finland. A response rate of forty-two percent (n=339) was obtained after two mailings and a reminder post card. Subsequently, the data were enlarged and non-response bias was investigated by conducting 143 phone interviews. After a careful examination of the data sets, no significant bias was discovered. Consequently, data sets were combined (n=482). The final response rate was nearly sixty percent.

On the basis of past literature, two single item measures and a set of multiple item measures for quantifying satisfaction were developed. Single item variables measured franchisees' overall satisfaction and their post engagement intentions. Four multiple item scales pertaining to franchise owners' business domains and one multiple measure tapping to franchisees' business environment were created by employing a principal component analysis. Both reliability and validity of the measures were evaluated. Eight hypotheses were tested, of which seven hypotheses were empirically supported. The statistical methods included t-tests and a multiple regression analysis and a discriminant analysis.

Franchisees were found to be fairly satisfied with their businesses. This conclusion was supported by the scores of the particular satisfaction. Moreover, franchisees were committed to their franchises. Particular satisfaction components and post-engagement intention explained nearly forty-five percent of the total variance of franchisees' overall satisfaction. Satisfaction and post-engagement intention predicted franchisees' inclination to continue the operation. Finally, the study presents implications for both franchisors and franchisees as well as propositions for future research.

4. International Franchising in China: An Interview with Kodak

Ilan Alon, State University of New York at Brockport

According to Kodak, China poses unparalleled opportunities for low-cost production and marketing of products to the world's largest nation. According to the company's estimate, China will become the largest market in the world for photographic products and services within the next 10 years. This article reviews Kodak's operations in China and presents an interview with a local franchising manager in Shanghai - the largest city in China. It provides a unique glimpse into the inner working of the organization's franchising activities in China.

5. International Franchising in Emerging Markets

Dianne H.B. Welsh, John Carroll University

Ilan Alon, State University of New York at Brockport

This article answers the urgent call from both the franchise industry, as well as the academic community, for research on world franchising markets. The article summarizes the main research that has been conducted on international franchising in emerging markets. First, the article answers the relevant question of what is an emerging market from a franchisor perspective. The level of economic development that is needed for a franchisor to consider entering in a particular country for expansion is explored. Next, economic growth is discussed along with market governance.

The article then examines specific, practical franchising research that has been conducted in various parts of the globe. Much of the research that has been conducted thus far in the franchising field is descriptive. In other words, the state of franchising in a particular country is described. This is usual when the field being studied is so young. Initially, the article explores the practice and theory development of international franchising that currently exists. Comprehensive theory development is sorely needed. The article goes on to divide the research into areas of the emerging world market: Central and Eastern Europe, Mexico and South America, Asia, and other areas that include India, Kuwait, and South Africa. Specific cases of franchises that have entered these markets and their experiences are given. The article concludes by discussing the next step to develop a research base and understanding of emerging markets in addition to the opportunities and challenges for franchising.

6. Developments in Franchising Present New Challenges

Jan C. Bezemer, Franchise Magazine, The Netherlands

The objective of this personal impression and interpretation is to share with the academic world the developments along the borderlines of the present franchise arena that I personally experience. This paper is not an academic study but a personal observation of changes that take place in the European franchise environment. It points out that external changes are underway that force franchise companies and franchise associations to analyse the consequences of these changes and evaluate the need for action. New entrants to existing markets, especially in the retail and services sector (e-commerce), and changes in logistics systems will have an impact on the organisation of existing franchise companies. Lack of action by a franchisor with respect to these changes could lead to serious damage for the total franchise. A more positive development is the adoption of business format franchise techniques by lines of businessthat are not familiar with franchising as a way to organise a business.

These more or less independent developments will effect franchising in the next decade and should be interesting fields for research, both in the academic world and by franchise associations. The European franchise environment compared to the American is fragmented and lacks the required resources to enable franchise associations to answer these challenges. This paper is focussing more on the presentation of new questions rather than answering them but is hopefully an invitation to further research. The challenges ahead will certainly require a new direction of research for academics and a new attitude of franchisors and their franchise associations.

7. Do Franchise Systems Advertise Too Much? U.S. Restaurant Expenditures and Performance 1988-1998

Robert E. Stassen, University of Arkansas

Robert A. Mittelstaedt, University of Nebraska

Michael (1999), showing that franchised restaurant and hotel systems exhibit a significantly lower amount of advertising as a percent of sales than corporate chains, raises the point that franchised systems may not advertise enough. This paper takes exception to this and uses longitudinal data from franchised restaurant chains' advertising expenditures from 1989 through 1998. First the paper examines the proportions of expenditures recorded in Ad $ Summary, showing that the amounts expressed as percentage of sales, are quite variable both within and across franchise systems, in contrast to how the advertising budgets are determined. Second, an analysis shows a significant amount of variance in these expenditures can be attributed to the size, ownership, and contractual nature of the franchise system. Last, a within-system analysis of advertising expenditures and store performance indicates the majority of franchises systems are at a stage with few returns to advertising. While the proportion of franchisee ownership in franchised systems is associated with lower advertising expenditures, the results show that advertising within franchised chains are at a level of competitive parity with corporate restaurant chains and finds no evidence to support gains from increasing expenditures.

8. Application Service Providers (ASP) in Franchising: Opportunities and Issues

Ye-Sho Chen, Louisiana State University

Chris Ford, Public Systems Associates, Inc.

Robert Justis, Louisiana State University

Pete Chong, Gonzaga University

Information technologies can help franchise businesses to increase efficiency, productivity, and competitiveness. However, information technologies could be very expensive and complicated to implement, thus beyond the reach of most franchise companies, especially smaller ones. Instead of purchasing software, customers can have applications delivered by an Application Service Provider (ASP) on a subscription basis. The concept of subscribing information technologies through ASPs has special appeal in the franchising industry because an ASP can duplicate success for other similar franchises quickly and inexpensively. In this paper we focus on three key words: *applications*, *services*, and *providers*, in ASP company shopping. There are three steps to follow: (1) Develop an overall vision of the applications needed for the company; (2) Determine what applications and the specific services you want an ASP to host; and (3) Evaluate ASP providers.

9. The e-Business Challenge to Franchising

Andrew Terry, University of New South Wales, Australia

Under conventional retail business models the decision to enter the realm of electronic commerce is relatively straightforward. In a franchised environment there are, however, some unique considerations, in particular the capacity for the borderless nature of a franchisor's, e-business strategy to encroach on the actual or perceived rights of a franchisee.

The challenge for franchisors in integrating an e-business strategy in their franchise systems was clearly recognised by Hodgson CJ in a recent Australian decision*Dymocks Holdings Pty Ltd v Top Ryde Booksellers Pty Ltd*[2000] NSWSC 390 in his express acknowledgement that:

> … in my opinion (the franchisees) have suffered and will suffer loss through … the substantial chance that their business will be damaged through unrestructed of competition from the [franchisor's] website.

This paper addresses legal and commercial issues arising from the influence of e-business and business format franchising. It suggests that the practical demand for commercially appropriate solutions is supported by an evolving legal environment in Australia which is increasingly acknowledging the special nature of franchising relationships and demanding appropriate standards of conduct.

10. Modeling Franchise Network Organization

Audesh K. Paswan, University of North Texas

Jerome Loustau, University of North Texas

Joyce A. Young, Indiana State University

Using the core concepts of network theory and the communication systems labeled as Intra, Extra and Internet (i.e., electronic communication systems), this study investigates franchising as a network organizations. During this process, advantages and disadvantages associated with viewing franchise systems as network organizations as well as incorporating electronic communication systems as a catalyst of franchise system's movement towards network organization. We hope that this study forms a basis for future investigation of franchise systems from a network perspective, rather than just a dyadic perspective.

11. The Franchising Industry's Use of Internet Technology

Sanjay S. Mehta, Sam Houston State University

Wendelynn T. Stewart, Sam Houston State University

Douglas M. Kline, Sam Houston State University

Balasundram Maniam, Sam Houston State University

The Internet has become an essential tool for success in today's franchising industry, not only as a potential marketing tool, but also as a quintessential resource for bringing franchisors and their franchisees closer together. The Internet has made the process of monitoring and controlling much easier and has become an instantaneous method of providing information. The E-commerce side of the World Wide Web has helped the franchise industry to grow and prosper in the modern marketplace not only by selling existing products online, but also as a means of creating entirely new and different franchise formats. This paper examines each of these areas and suggests new methods of utilizing Internet technology while suggesting improvements for existing uses of this technology, such as expanding market research and providing more useful information to channel members.

12. The Effect of Regulation: An Analysis of the Australian Franchising Code of Conduct

Lorelle Frazer, Griffith University, Australia

Jolene Lim, Kienbaum Pte. Ltd., Singapore

The mandatory Franchising Code of Conduct was introduced in Australia in 1998 to regulate the franchising sector. This paper examines the effect of the Code on the sector and on franchising relationships in the 12 months following its implementation.

A two-stage methodology was used in this research. Stage one involved a mail survey of the population of Australian franchisors and results were compared with an earlier survey of the sector. The findings indicate that following the introduction of the Code there were fewer substantial disputes, greater resolution of disputes through mediation than litigation, fewer franchise agreement terminations, fewer transfers of existing agreements, and both the rate of growth of franchisors and franchise units had slowed.

The second stage of the research used a multiple case study approach to determine the effect of the Code on franchising relationships. It was found that the factors of trust, commitment, communication, power balance and mutual goals were important across the start-up, conflict and interdependence phases of the relationship.

13. Network Expansion Conflict

William S. Vincent, Kennesaw State University

John E. Hellriegel, Heel-Quik, Inc. Lewis G.

Rudnick, Esq; Piper, Marbury, Rudnick & Wolfe

One of the hottest issues today in franchising is that of franchise network expansion conflict (popularly known as "encroachment"). The franchisor must continually expand its network in order to increase its market share and maintain its competitiveness. Such expansion occurs in three forms: (1) the addition of traditional outlets of the network (franchisee and franchisor owned) in markets in which franchisees operate; (2) nontraditional outlets (e.g., located on a military base, college campus, interstate highway or in a co-branded facility that may draw business from traditional outlets of the network); and (3) sale of the franchisor's product or service in a different distribution channel (e.g., the Internet). Expansion by all of these means is natural and essential for franchise networks. However, a franchisee with a large investment in its franchise wants to minimize the potential negative impacts of such expansion. A franchisee, as a business owner, recognizes that it will face competition from other networks. However, franchisees are understandably concerned when their businesses are negatively impacted by the expansion of their franchisor. Franchisees believe that they shouldn't have to compete with their own network. This *Paper* explores the issue of network expansion conflict and the approaches that franchise networks have taken to resolve such conflict. This *Paper* also suggests a blueprint on how a network expansion conflict policy can be developed and implemented in a way that is fair to both the franchise company and its franchisees.

14. Allocation of Decision and Ownership Rights in Franchising: Empirical Findings in the Austrian Franchise Sector

Josef Windsperger, University of Vienna

In this paper we examine the decision and ownership structure of franchising networks in the Austrian franchise sector. By applying the property rights approach decision rights must be allocated according to the distribution of intangible knowledge assets (know-how) between the franchisor and franchisee, and ownership rights must be assigned to those who have the residual rights of control (residual decision rights). Consequently an efficient structure of franchising requires co-location of knowledge and decision rights and complementarity between decision and ownership rights to maximize the value of the franchisor's and franchisee's knowledge assets. Our property rights analysis derives two hypotheses concerning the decision and ownership structure in franchising networks which are tested in the Austrian franchise sector. This study presents the first empirical evidence that the property rights structure of franchising is characterized by co-location of knowledge assets and decision rights and complementarity between decision and ownership rights.

15. Franchising as a Source of Technology Transfer to Developing Economies

John Stanworth, University of Westminster, UK

Stuart Price, University of Westminster, UK

David Purdy, University of Westminster, UK

A number of the main benefits and consequences of importing Western franchises into developing economies are investigated. The introduction of franchising can stimulate entrepreneurial development, by bringing managerial, marketing, and consumer know-how to a developing economy, but there may be a number of trade-offs. These include: the cultural homogeneity which exposure to Western tastes brings with it, the loss of economic diversity, possible displacement of existing local businesses, the repatriation of fees and profits, and the notion of control from a distance. Franchise systems from the US, with encouragement from their own government, appear to be the most active in cultivating new markets overseas. Select findings from several country-based franchise studies are presented, with special reference to Indonesia, China and Brazil. Franchisors should consider the issues raised in the paper and evaluate whether or not they are sufficiently motivated and adequately resourced to support a successful expansion into a developing economy. Similarly, the governments in developing economies need to develop policies and regulations which simultaneously allow an acceptable balance of benefits to both sides, especially concerning the sizeable investment needed to establish a new franchise system.

16. The Emerging Patterns of Franchising in India

Rajiv P. Dant, Boston University

Patrick J. Kaufmann, Boston University

Though relatively new to India in comparison to North America and Europe, the franchising approach to retailing is thriving in India. Estimates suggest that the current Indian franchising market, pegged at USD 1 billion, would be growing at the annual rate of 30% in the foreseeable future. However, the Indian franchising experience differs considerably from that of other countries where franchising has been a relatively new introduction (e.g., Russia or China). For example, although many of the multinational franchise systems seen around the world also operate in India, they compete head on with vibrant domestic franchise systems in many sectors of operation. Moreover, these domestic initiatives often employ homegrown management techniques and practices that reopen the old debate about what precisely is a franchising operation. The Indian franchising community has also shown signs of surprising quick-response to market needs. For instance, the advent of computers and internet in India has been accompanied by a rapid development of an information technology (IT) based franchising sector. Similarly, when the Indian dot.coms rushed to establish brick-and-mortar versions of their businesses in response to the recent downturn in web-based commerce, the Indian franchising community swiftly rushed to offer franchising as the solution to their quick market rollout problem. Though a full account of all these patterns is beyond the scope of the present paper, herein we attempt to present a descriptive account of the emerging patterns of franchising in India based on a survey of Delhi area franchisors. The data reveal several differences between the IT based and non-IT based franchise systems.

17. Public Opinion About Franchising in an Emerging Market: An Exploratory Investigation Involving Indian Consumers

Audhesh K. Paswan, University of North Texas

Joyce A. Young, Indiana State University

S. Prasad Kantamneni, Emporia State University

This study develops a framework for evaluating people's opinion of franchising in an emerging market and tests it empirically. The results indicate that people use six major dimensions to evaluate franchising – *Macro socio and economic concern, Social well-being, Individual well-being, Consumer benefits, Quality enhancement,* and *localized development.* If franchising were to become an engine for economic growth in emerging and developing markets, analysis of 'people data' using these dimensions would be extremely beneficial. This becomes even more crucial since the franchising growth in future is being posited to come from newly emerging markets.

18. The Effect of Macroeconomic Conditions on U.S. Franchisor Entry and Survival

Francine Lafontaine, University of Michigan Business School

Economic models of industry evolution imply that firms' entry decisions are affected by macroeconomic conditions upon entry, and that their survival depends on both entry and post-entry macroeconomic conditions. We show empirically that entry rates are correlated with macroeconomic conditions at the time of entry, and that macroeconomic conditions post-entry positively affect franchisor survival. However, the same conditions at the time of entry into franchising tend to have a negative effect on franchisors' survival time. This negative effect is consistent with theories of industry evolution, and most likely reflects the fact that more firms for whom franchising is not a good long-term strategy tend to enter franchising in good times relative to bad.

19. Retail Franchise Failure: Strategic Management Perspective and Longitudinal Analysis

Stevan R. Holmberg, Kogod School of Business, American University

Kathryn Boe Morgan, Brigham Young University and IFA Educational Foundation

Retail franchising is rapidly becoming a significant and fast growing economic component in the US, UK and many other countries, placing new urgency on identifying and understanding retail franchisee failure and developing failure mitigation strategies.

This article uses a new retail strategic management perspective and provides new, more reliable U.S. longitudinal retail franchise government furnished data including over 800 franchise systems and over 250,000 franchise units. Retail franchisee median failure rates have increased materially over the four-year study period, with retail non-food franchisee turnover rates with transfers increasing 33 percent, rising from 7.18 to 9.6 percent, and fast food franchisee turnover rates increasing from 7.53 to 10.6. The dramatic increase for most retail franchisee failure rates over the four study years was not expected due to the exceptionally strong U.S. economy.

Reducing franchisee failure hinges on adopting a strategic management failure perspective and more accurate retail franchisee failure data and influencing factor understanding. Franchisee failure and its mitigation are important topics that merit further research and franchise system management attention.

20. The Dynamics of Contract Mixing in Franchising

Begoña López, University of Oviedo, Spain

Begoña González-Busto, University of Oviedo, Spain

A franchise company is a hybrid or plural form, typically established by both company-owned units and franchised units, where the latter receive an entire business format. The importance of franchising is well documented. It is estimated that a half of all retail sales will occur through franchised chains in the U.S. in 2000 –this is the country in which franchising is more developed, although the use of this contractual arrangement is increasing all over the world.

We shall explore the reasons that explain franchise chains growth and how franchising firms choose the extent of company ownership. There is extensive literature that has addressed these topics, but the dynamic approach has received little attention. Therefore, we have built a dynamic model including contractual and system variables such as fees, royalties, investment, chain size or trade name recognition. These variables have been commonly included in empirical tests conducted in this field, as they are periodically published in professional yearbooks. By means of this model, we go on to analyze the dynamic behavior of a chain and how its ownership structure evolves over time as a result of the interaction of variables mentioned above.

21. Size, Growth Rate and Risk Sharing as the Determinants of Propensity to Franchise in the Chain Restaurants

Yae Sock Roh, Central Michigan University

The purpose of this study is to identify the determinants of selected firms' characteristics that affect the proportion of company ownership and franchising in the chain restaurant industry. Size, growth rate as related to agency cost, brand name capital, and risk sharing arguments are proposed to explain why these financial measures are expected to differentiate the likelihood of franchising. To test these hypotheses, publicly held restaurant companies are examined.

While previous research has focused on a narrow explanation for the existence of franchising, this study incorporates multiple prevailing theories to explain the proportion of franchised units to company-owned units. The study finds evidence that a restaurant's size, growth rate specifically related to monitoring costs, and risk sharing are important factors in determining the incremental use of the franchised units. On the other hand, despite predictions offered by existing literature, brand name capital is not as strong an indicator of the mix of company-owned units and franchised units in the chain restaurants.

22. Service Chain Organizational Forms and a Preliminary Approach by the Population Ecology Model

Gérard Cliquet, Université de Rennes 1, France

Rozenn Perrigot, Université de Rennes 1, France

Abstract: This paper deals with the comparison over time between three different organization forms of retail and service chains: franchise, company-owned systems, and plural forms. This comparison over time will be done later through a population ecology model. The paper discusses the opportunity of using such a model and of implementing it in the French hotel industry. The application of Pilling, Henson and Yoo (1995) to store populations is also discussed in order to improve the use of such a model and the interest of using it at the level of chain populations instead of store populations is shown.