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1. Predicting the Winners of the Franchise 500

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Since 1980, Entrepreneur Magazine has published its annual Franchise 500® ranking of franchises. Designed as a research tool, the rankings do not to endorse, advertise, or recommend any particular franchise, but serve as a basis for comparison (anonymous 2001). The magazine asserts that its system has been "polished and perfected," providing its estimated 2.2 million readers with a "formula that accurately identifies today's top franchise opportunities"(p, 174), Although Entrepreneur considers its Franchise 500 to be "the best and most comprehensive rating of franchises in the world," (p. 174) relatively little is known about the formula used in the ranking system.

According to the magazine, a franchisor's financial strength and stability, the size of the system, and its growth rate are considered to be most important to a franchise's ranking. Number of years in business, length of time in franchising, start-up costs, amount of litigation, percentage of terminations, and the availability of franchisor financing are also considered important in determining rank. However, only five of the nine criteria are either disclosed directly or may be calculated from the published data.

The comparative weightings of any singular or group of criteria used in the ranking system are not disclosed.

Entrepreneur's Franchise 500® ranking is widely used by practitioners and potential franchisees. The dataset has also been used in a number of academic studies in the absence of official government statistics on franchising. Although not considered representative of the population of available franchises, Entrepreneur's dataset has been called "the most detailed longitudinal data set on individual franchisors" (p. 15) (Lafontaine 1995), and found to be comparable to other respected sources of franchise information (Mehta, Luza et al. 1999).

This study explores the Entrepreneur Magazine Franchise 500® ranking system as a basis for comparing franchises. Using regression analysis, we study the contributions of the variables disclosed by the magazine, and discover the extent to which they explain the rank assigned to any given franchise. The study reveals that size, as measured by the number of franchised and company-owned outlets, is the best predictor of rank. Franchisor experience was also found to be significant in the analysis. The study also revealed inconsistencies in the ranking in the top 10 franchises, both among franchises within a given year and in the rankings of franchises in the most recent three years. The authors conclude that further research is required to evaluate the Franchise 500® ranking system as a research tool.

2. An Analysis of Shareholder Return in Public Franchisor Companies

Stephen Spinelli, Jr., Babson College

This is the first study to measure the performance of public franchisors. Shareholder return, shareholder risk and company characteristics are analyzed in an effort to model higher performing public franchisor companies. Enhanced growth and scale provides a superior return to shareholders. By examining the characteristics of 91 public franchisors we develop a descriptive and predictive model of the superior public franchisor performer. Our study covers a ten-year period from January 1990 to December 1999. Cumulative shareholder return for public franchisors is favorably compared to the Standard and Poors 500 for all but the last year of the study. Also, there are clearly described characteristics of superior franchisor performers. The implication for the practitioner is that a strategy of concept development through franchising and public capital acquisition can provide superior returns. For scholars, this study extends our understanding of the theoretical advantages and limitations of franchising.

3. Antecedents of Performance Effectiveness: A Comparison of Franchisor and Franchisee Perceptions

Faye S. McIntyre, State University of West Georgia

Faye W. Gilbert, University of Mississippi
Robert E. Hite, State University of West Georgia

The paper builds on relational exchange theory and transaction cost analysis to assess antecedents to franchise effectiveness. An empirical comparison of franchisors and franchisees indicates significant differences in perceptions of transaction costs, relational norms, relational context, and relationship effectiveness, but no significant differences emerge in levels of opportunism. Further, the determinants of effective relationships differ between the two parties. These findings underscore the need for further research that addresses the performance implications of governance mechanisms, and they underscore the need for franchise managers to carefully assess both perspectives when building relationships with franchisees.

4. A Preliminary Investigation of the Influence of Franchisees on Franchisor Financial Performance

Frank H. Wadsworth, CFE, Indiana University Southeast

Douglas C. Haines, CFE, University of Idaho

This paper examines the relationship between the underlying dimensions of franchisee satisfaction and franchisor financial performance. There is extensive literature on the relationship between satisfaction and financial performance. Previous research identified a multi-dimensional measure of franchisee satisfaction. These dimensions are included in a model to predict franchisor financial performance. Results show that franchisees' perceptions about their franchise contract, communications with their franchisor, franchisor training programs, and the amount of entrepreneurial control they exercise are significant predictors of various financial performance measures. Franchisors concerned with improving overall financial performance may focus their efforts on improving franchisees' perception in these particular dimensions and expect to improve their financial performance.

5. An Exploratory Study of Encroachment in Multi-Brand Franchise Organizations

Anita du Toit, Franchising Plus/University of Pretoria, South Africa

The proliferation of brands within multi-brand franchise organisations through acquisitions and other means seems set to continue. This holds several implications for franchisors. Firstly, it would seem as if the larger franchisors will inevitably end up with more than one brand in their respective systems. This has implications for infrastructure, management resources and future strategy. It also results in the proliferation of franchise relationships as more franchisees enter the system. This in itself holds implications for communication, franchising culture, relationship marketing and management and maintenance of these relationships. Furthermore, the fact that the performance of the brand relies on the efforts of franchisors and franchisees alike also complicates the issue of managing multiple brands within a franchised organisation. The

aim of this study was to explore the phenomenon of encroachment in multi-brand franchised organisations. The objective was to uncover possible ways of avoiding encroachment in these types of franchised organisations. The findings indicate that it is indeed difficult to manage encroachment in multi-brand franchises. It is postulated that franchised brands benefit most from focused brand management in single brand organizations. Some suggestions for further research as well as management recommendations are made.

6. Predicting Multiple Unit Franchising: A Franchisor and Franchisee Perspective

Scott Weaven, Griffith University, Australia

Lorelle Frazer, Griffith University, Australia

This paper examines the current status of multiple unit franchising in Australia. A review of previous research in the United States highlights some characteristics that may be unique to the Australian setting such as the age and size of franchise systems, the "hands-on" involvement and experience of existing franchisees, monitoring cost effects, the use of franchisor performance evaluation and reward techniques, and the governance structure of franchise systems. Consideration has been given to both academic and trade literature in developing a set of propositions that predict the likely adoption of multiple unit franchising strategies within the Australian context. These propositions explain multiple unit franchising in terms of the franchisor (growth, firm characteristics, contiguity, strategy, agency cost effects, and corporate structure), the franchisee (experience and involvement at the store level), and the franchisor/franchisee relationship (intra-firm conflict). Both the model and propositions will be empirically tested in the near future.

7. American-Owned Direct Sales Franchises in the United Kingdom: A Self-Employment Grey Area

Stewart Brodie, University of Westminster, England

John Stanworth, University of Westminster, England

Thomas Wotruba, San Diego State University

This paper draws on UK data obtained from a useable sample of 673 'independent contractors' active in the field of direct sales franchising. This is a low-cost, low-entry barrier, business opportunity which, at any one time, facilitates 500,000 individuals in the UK, mostly women, experiencing self-employment without employees. Furthermore, whilst direct sales franchises claim to be the world's largest single provider of part-time, self-employment opportunities, most of the related trading is conducted in the informal economy and is not recorded in official self-employment statistics. The paper presents a 2x2, product/service, home-based/external premises, franchise typology by way of background to the principal focus of the paper which is the direct sales segment of the

typology. Additionally, this discussion is conducted against the backdrop of the UK's growth in the numbers of self-employed without employees. In the case of direct selling, we are looking not only at micro-business activities devoid of employees, but also at a sector which operates largely on the basis of part-time economic activities and which manifests attrition rates of around 100% annually. Finally, a direct seller typology is presented involving three distinct types: 'refugees', 'trade-offs' and 'opportunists'.

8. Gaps in Franchisee and Franchisor Expectations

John Paynter, University of Auckland, New Zealand

Andrew Terry, University of New South Wales, Australia

Franchising offers good opportunities and growth in an otherwise static economy. However a recent survey of the level of satisfaction of the franchisees with their systems revealed some shortcomings. This was the first survey to look at franchising from their (rather than the franchisor) perspective. Following this, the 2001 annual franchising survey in New Zealand was designed to examine the differences in satisfaction between the two partners in a number of measures. Generally franchisees were dissatisfied with the degree of autonomy afforded them, the support structures and communication with the franchisor. The results reveal that the franchisors consistently rate their services provided to the franchisees higher than the franchisee satisfaction with them. This is despite the high levels of support, training and documentation provided. The use of the discriminate analysis and Mahalanobis Taguchi System to look at differences in the performance and satisfaction of franchisors and franchisees is investigated.

9. Franchising New Zealand: Survey of Franchising Practices and Performance

John Paynter, University of Auckland, New Zealand

Andrew Terry, University of New South Wales, Australia

Lorelle Frazer, Griffith University, Australia

The results of Annual Franchising New Zealand Surveys (1997-2001) confirm great diversity in the characteristics of firms that make up the franchising sector. Franchise systems operate in many industries and varied locations, and the needs of the differing markets are reflected in the many ways in which the franchising concept is carried out. In the following, the results of the surveys have been summarised and estimates are included for the whole New Zealand population of business format franchise systems, based on the survey findings. These are compared to the most recent (1999) survey in Australia to give an idea of trends on both sides of the Tasman and any differences that might arise, mainly due to the different regulatory environments. The results of the (most recent) 2001 survey are collated from 111 Franchise Systems who responded to the questionnaire. An estimate of the total number of systems operating in New Zealand is 300, with franchising in New Zealand estimated to account for \$10B annual turnover. The number of people working within franchising is estimated to be 70,000 and the

number of franchised and company-owned units is estimated to be 14,000. The number of systems, outlets, and those employed in them exhibit 20 percent increase pa. The future prospects for franchising in New Zealand remains sound. Strong growth has been reported throughout the five years of the survey.

10. A Comparative Analysis of Franchise Regulation in Asia

Andrew Terry, University of New South Wales, Australia

Although franchising was conceived in the west its future development undoubtedly lies in the emerging economies of Asia. The growth and development of franchising in the most populated and, in a franchising sense the most undeveloped, region of the world is already well advanced. The expansion of established international systems has alerted governments, the business community and consumers within the disparate countries within the region to the unique attributes of the business format franchise model and to its economic and commercial benefits. The growth of franchising within the world's most dynamic region for franchising will nevertheless be accompanied by an increasing emphasis on regulatory issues. Until recently few countries had franchise-specific regulation but the trend to sector regulation is intensifying throughout the franchising world. In this respect Asia has the dubious honour of leading public opinion. Of only 15 countries that specifically regulate their franchising sectors, five are in the Asia-Pacific Region. China, Indonesia, Korea, Malaysia and Australia provide the most recent precedents for sector specific regulation. The regulatory regimes of these countries are the subject of this paper.

11. The Dual Structure of Franchising Firms

Josef Windsperger, University of Vienna, Austria

The paper offers an explanation for the dual structure of franchising networks. By applying the property rights theory we argue that the contractual mix between company-owned and franchised outlets depends on the distribution of intangible assets between the franchisor and franchisee. The more important the franchisor's brand name assets relative to the franchisee's local market assets for the generation of residual income, the more ownership rights should be transferred to him and the higher is the percentage of company-owned outlets. This hypothesis was tested by using data from the Austrian franchise sector. The empirical results are generally supportive of the hypothesis.

12. Dual Distribution and Royalty Rates in Franchised Chains: An Empirical Exploration Using French Data

Thierry Pénard, Université de Rennes, France

Emmanuel Raynaud, INRA- SADAPT/Université de Paris I, France

Stéphane Saussier, Université de Nancy II/Université de Paris, France

This paper addresses the dual distribution issue, focusing on French franchise chains.. We explore how the level of managerial control, measured by the proportion of company-owned units, and the royalties interact with the value of trademark. We have an unbalanced panel data set with information from 1994 to 2001 concerning 800 franchisors. Econometric tests show that brand name value has a positive impact both on the royalties rate and the proportion of company-ownership. Moreover, we argue that royalties and managerial control are complementary variables for the organizational design of chains.

13. The Role of Residual Claims and Self-Enforcement in Franchise Contracting

Francine Lafontaine, University of Michigan Business School

Emmanuel Raynaud, INRA- SADAPT/Université de Paris I, France

Much of the economic literature on franchising has been concerned with incentive issues and how these are managed in franchised contracts. Two main types of incentive mechanisms have been identified: residual claims and self enforcement. In this paper we describe these incentive mechanisms, and their use in franchise contracts. We argue that although these two types of mechanisms are usually thought of as alternative ways to align franchisee and franchisor incentives, they are in fact complementary in franchise contracts because they address different incentive problems. We explore what these incentive problems are, and then discuss specifically how franchise contract terms and practices support each type of incentive mechanism.

14. Royalty Rates and Upfront Fees in Share Contracts: Evidence From Franchising

James A. Brickley, University of Rochester

This paper provides evidence on the determinants of royalties and upfront fees in share contracts by examining how state franchise termination laws affect franchise contracts. The results are consistent with the joint hypothesis that the two-sided moral hazard model explains the terms in franchise contracts and that termination laws increase the relative importance of franchisor effort (due to the extra effort that is required to control system quality). I find that franchise companies that are headquartered in termination-law states charge significantly higher royalty rates than companies headquartered in other states (around one percent higher). Correspondingly, the initial franchise fees are lower for companies headquartered in termination states. Overall, franchisees appear to pay a higher price for franchises in states with protection laws. Consistent with a basic tenet of law and economics, price adjustments appear to offset at least some of the transfers that would otherwise be implied by the laws.

15. Retail Franchising as an International Growth Strategy: An Overview

Nitin Sanghavi, Manchester Business School, England

Over the last three decades, an increasing number of retail organisations have actively developed an international presence using a variety of methods to expand globally, with franchising becoming increasingly popular as a method of achieving this expansion. This increasingly significant development and its impact on the global market place has still to be fully researched and understood. This paper examines this development. It first looks at advantages and disadvantages/dangers in international franchising. It then examines the use of retail franchising as an international growth strategy. It also discusses several benefits and a number of potential drawbacks to the application of franchising in the international market place. It then assesses the degree to which existing marketing and growth strategies can be transposed to new markets. It then concludes by asking retail organisations to examine and assess potential opportunities outside the home market using franchising as a key method of expansion.

16. Brand - Country of Origin Association and Image: Investigation in a Franchising Context

Audhesh K. Paswan, Ph.D., University of North Texas

Dheeraj Sharma, University of North Texas

This study empirically investigates the notion of brand-Country of Origin (COO) knowledge and its relationship with COO image, in a franchising context. Antecedents of this brand-COO association knowledge are also investigated. The results indicate that brand-COO knowledge influences COO image in a more favorable manner. Inaccurate knowledge about brand-COO association seems to result in a confusing and somewhat negative image about COO (America in this case). As regards antecedents, factors such as social class, education and travel abroad are positively associated with more accurate knowledge about brand-COO association. The results of this investigation, carried out in an emerging market, has interesting research and managerial implications, especially for multinational franchisors.

17. An Application of Survival Analysis to the French Hotel Networks

G rard Cliquet, Universit  de Rennes 1, France

Rozenn Perrigot, Universit  de Rennes 1, France

The paper deals with an application of survival analysis theory to the French hotel chains. We will understand the concept of "survival" like a survival in terms of "growth" or "stability", or better in terms of "non-fall" in the classification of the 50 first chains located in France for the years 1995, 1996, 1997 and 1998. Two hypotheses are tested: the first one concerns the propensity of plural form networks to have a longer survival than pure franchised systems or pure company arranged systems and the second one is about the propensity of national chains to have a longer survival than foreign chains. This work illustrates this theory and shows its application interests for studying Franchising topics like networks survival, failure and success, etc.

18. Comparing Franchised-Hotel Chains in France and the U.S.A.

Rozenn Perrigot, Université de Rennes 1, France

Ilan Alon, State University of New York-

Brockport Gérard Cliquet, Université de Rennes 1, France

This paper deals with the comparison of French and American international strategies of hotel companies. Comparing two countries in which hotel sectors are vibrant is useful to see if the factors of internationalization are the same. The history of the French hotel sector is presented and the international hotel franchising literature is reviewed. It examines the differences in size, age and growth rates between French and U.S. franchised hotel chains and investigates potential causal relationships between these variables and internationalization. This exploratory research that uses non-parametrical statistics can illustrate hotel industry in the world and its internationalization.

19. The Choice Between Management Contracts and Franchise Agreements in the Corporate Development of International Hotel Firms

Irini Dimou, University of Surrey, England

Dr. Jean Chen, University of Surrey, England

Prof. Simon Archer, University of Surrey, England

This study studies the choice between management contracts and franchise agreements in the corporate development of international hotel companies. The fact that contractual modes of corporate development are quite prevalent in the hotel sector world-wide, in combination with the lack of research in that direction, suggests the gap in this field. This study attempts to fill this void by developing a theoretical framework in order for further empirical research to reveal important findings regarding the factors that influence the choice between franchise agreements and management contracts as a means of non-equity hotel development. It has been suggested that management contracts should be viewed as a more hierarchical form of organisation in terms of the degree of control the firm can exercise. Additionally, a more robust theoretical discussion has been provided, combining both transaction cost theory and agency theory on the decision for corporate development in the hotel industry. Finally, important factors have been identified, which influence a hotel company's choice between management contracts and franchise agreement in its corporate development, followed by propositions, therefore, set out a guideline for further empirical studies.

20. Perceptions of Fair Treatment in the Franchised Lodging Industry: How Management and the Work Environment Fare in the Bid for Employee Job Satisfaction

Wesley S. Roehl, Ph.D., Temple University

Skip Swerdlow, Ph.D., University of Nevada, Las Vegas

In this study, the researchers explored US franchise hotel employees' perceptions of the quality fairness of treatment (called interactional justice) by supervisors and coworkers in franchised lodging chains throughout the US. Interactional justice is the nature of the interpersonal interactions between managers and employees, specifically, *what is said* and *how it is said*, such as providing an explanation, and the treatment that an employee receives, such as rudeness or respect. Each of these could lessen or exacerbate the consequences of that interaction, including increased productivity, to turnover, and even violence. This study showed a significant relationship between employees' perceptions of fair treatment and job satisfaction and productivity. These relationships differed between men and women, management versus non-management, and between hotels in a particular brand or chain. The recommended options for franchise management to ensure a positive interactional justice environment in their properties are: clear, interesting, empathetic, and important communication through such means as newsletters, memos, meetings, counseling sessions, training, and active involvement of management in the operation of their properties. However they must include in such interactional justice characteristics as demonstration of respect and value to employees, qualities that may be exhibited by ensuring that discussions are two-way, the employee's point of view is heard, and that their participation in planning outcomes is sought. The result will likely be greater employee satisfaction and consequent improvement in service and guest experience.

21. Competition in Information Disclosure: The Case of Franchising

Steven C. Michael, University of Illinois, Urbana-Champaign

Why firms and individuals reveal information is the subject of considerable theoretical research in accounting and economics, but little empirical work has been possible due to a lack of suitable research venues. In this paper we examine why franchisors reveal information regarding potential profits (termed earnings claims). Empirical analysis shows that: first, contrary to theory, only a small percentage of franchisors claim; and, second, the franchisors that do claim have lower costs or are responding to competition. Implications for research and practice are discussed.

22. Dispute Resolution: Towards Development of a Working Model

William S. Vincent, Kennesaw State University

Robert Justis, Louisiana State University

Disputes between the franchisor and the franchisee are bound to happen sooner or later. Resolving disputes between the franchisor and the franchisee can be expensive and time consuming. They can also adversely impact the franchise system and create ill-will and a hostile working relationship between the franchisor and the franchisee. Therefore, it is in the best interests of all parties for a dispute resolution process to be implemented that is pro-active and allows to the maximum extent possible the resolving

of disputes at the lowest levels informally, This paper sets forth a dispute resolution process which the authors have determined to be effective for the long term health of the franchise system and the franchisor-franchisee relationship. This process was supported through the research of the dispute resolution process of 50+ franchise systems.

23. Genetically Modified Foods in the Foodservice Industry: A Franchise and Multiunit Perspective

Robert R. Nelson, Ph.D., University of Delaware

Ali A. Poorani, Ph.D., University of Delaware

Justin E. Crews, University of Delaware

The strategic positioning of multiunit and franchise foodservice operations to either avoid or use foods derived from genetically modified organisms (GMOs) will have a great impact on the future of this technology. The large buying power of these chains can influence biotech companies' future investment in research and development of genetically modified foods. This survey examines the policies of North American based foodservice companies regarding the use of foods derived from GMOs. The findings indicate that multiunit franchise operations are more likely than independents to develop purchasing policies regarding GMOs. They are also more likely to establish public relations strategies to handle the situations where a genetically modified food that is not approved for human consumption is inadvertently served in one of their restaurants. Furthermore, the majority of multiunit franchise operations would like to see government mandated labeling for genetically modified foods.

24. Who Buys a Franchise? A Comparative Analysis of Franchisees and Independent Entrepreneurs in Poland

Krzysztof Zieba, Technical University of Gdansk, Poland

As in the case of other so-called "emerging markets" franchising is not very popular in Poland. However, the process of transition from the command economy to the market economy is favorable for franchising and its development. As there is a lack of research on franchising in Poland, it seems to be very important to fill in this gap. In this paper a short characteristics of franchising in Poland is provided. Several factors influencing the development of franchising in Poland are presented. The main focus of the paper is as follows: some basic questions regarding the profile of a typical franchisee in Poland and differences between franchisees and independent entrepreneurs. Ten hypotheses have been proposed and tested using the results of empirical research conducted by the author. The results obtained have been discussed in the concluding part of the paper,

showing some important differences between franchisees and independent entrepreneurs in Poland.

25. Franchisees Can Be Made - Empirical Evidence And Insights From A Finnish Franchisee Training Program

Mika Tuunanen, University of Jyväskylä, Finland

Jenni Torikka, , University of Jyväskylä, Finland

The paper deals with a novel Finnish franchisee training program. In 1997 the Ministry of Labor started a research project "Franchising Entrepreneurship in Finland in year 2000". A goal of the project was to find out whether people interested in employing themselves can be trained as franchisees. The project was partly financed by the European Social Fund and an outcome of it was a franchisee training program. The idea of the program is to supply the participants with the relevant skills and knowledge necessary in taking up a franchise. First two programs were completed in 1999,

The Finnish Employment and Economic Development Centers and numerous franchisors have been involved in executing the programs. Top Finnish franchising experts and professionals in various business areas have been chosen as lecturers. Thus far, ten programs have been carried out in three major cities with around 200 carefully selected participants.

The purpose of the study is twofold: to describe the program and to analyze its tentative results. The study concentrates on measuring the effectiveness of the program by examining participants' initial expectations and experiences about the program. Past literature has shown that the effectiveness of education and training is a multifaceted phenomenon and therefore difficult to measure. Desirable effects of the training may emerge later and in various ways. In the present research design, participants were surveyed 6-18 months after passing the training.

The academic research in the field of franchisee training is virtually absent. Few studies have addressed franchisors' training given to franchisees. However, no previous information was found on franchising training given to wanna-bee franchisees by a third party. Hence, the nature of the present study is exploratory.

The sample comprised one hundred participants of the first five programs. Quantitative and qualitative data were gathered through mailed questionnaires and phone interviews. Preliminary results are encouraging e.g. nearly one sixth of the participants took up a franchise.

26. An Exploratory Investigation into Ethnic Minority-Owned Franchisees' Entrepreneurial Activities

Dr. Dave Crick, University of Central England, England

With certain ethnic groups representing relatively high levels of the population in certain countries, the issue of stimulating entrepreneurship in these communities has been viewed as an important issue for particular governments. Although some minority groups have been viewed as having higher self-employment levels than others, entrepreneurial research has studied ethnic business start-ups outside of the franchising route. This paper addresses the identified gap and reports on ten interviews with U.K. franchisees from an Asian background. The focus is to determine their motives for adopting the franchising route in comparison to other forms of business ventures such as privately owned businesses that have featured in previous literature. Findings suggest that in terms of opportunity recognition, background characteristics of the entrepreneurs enabled cultural niches to be identified (family, local and working knowledge). Resources i.e. financial and human in running the franchise were accessed from family and the community. Furthermore, network issues both positive and negative were also seen as important.

27. Global Franchising in Emerging and Transitioning Economies

Ilan Alon, Ph.D., State University of New York-Brockport

Dianne H.B. Welsh, Ph.D., John Carroll University

Emerging markets, accounting for 80% of the world's population and 60% of the world's natural resources, present the most dynamic potential for long-term growth to businesses, in general, and to franchisors, in specific. The U.S. Department of Commerce estimated that over 75% of the expected growth in world trade over the next two decades will come from emerging countries, particularly Big Emerging Countries, which account for over half the world's population but only 25% of its GDP. The paper examines emerging markets from the standpoint of international franchising, focusing on various developing countries/regions throughout the world, including Central and Eastern Europe, Mexico and South America, China, India, Singapore, Kazakhstan, and the Middle East.

28. E-Business Strategy in Franchising: A Customer-Service-Life-Cycle Approach

Ye-Sho Chen, Louisiana State University

P. Pete Chong, University of Houston-Downtown

Robert Justis, Louisiana State University

Gartner Group, a leading information technology consulting firm, recently published a research report on e-business strategy, in which it points out that "simply Web-enabled a business is not enough," instead, companies need to harness the Internet to become "Edge companies" that "concentrate at least 80% of its resources on the touchpoints it

has with customers and suppliers." In this paper we propose an e-business strategy to help franchise companies to transform their business into Edge companies. The strategy is based on the Ives's Customer Service Life Cycle (CSLC). Three major topics are discussed in this paper: (1) the CSLC approach to managing the franchisor/franchisee relationship, (2) harnessing the e-business strategy around the CSLC approach, and (3) aligning the CSLC-based e-business strategy with application service providers.

29. The Effect of Electronic Communication Among Franchisees on Franchisee Compliance

Michael H. Dickey, Florida State University

The virtual organization has emerged as a result of the availability of information technology. One business model well suited to the virtual form is franchising. Since the success of franchise organizations is highly dependent on communication effectiveness, these organizations are beginning to adopt technology - namely, private corporate networks called intranets and extranets to support electronic communication.

This paper reports the results of an empirical study on the effects of lateral electronic communications - i.e., the formation of virtual community among franchisees -- on a strategic outcome that is important to franchisors, namely, franchisee compliance. The survey results indicate that communication frequency among franchisees increases with the existence of a lateral communication channel. Previous research suggests that electronic communication facilitates lateral communication by providing an asynchronous media choice, making communication on such channels more frequent because they are more convenient. Franchisee compliance, though expected to be higher among franchisees that had electronic communication channels available to them, was actually found to be lower.