

FRANCHISE RELATIONSHIP: FRANCHISEES' SATISFACTION

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Abstract

Franchise as business method especially popular become in second half of 20th century (Khams, 2013.,78). Since then as a significant factor in business growth and lever of economic development attracts researches attention. In context of franchise way of doing business, relation between franchisor and franchisee is crucial for success, not only for the individual member of franchise but for entire franchise system. Franchise relationship actually begins with meeting the needs of clients through cooperation of franchisor and franchisee. Each party is directly interested in success of franchise. The element that varies franchise from most other forms of business is a symbiotic relationship of interdependence and confidence of two legally different economic entities. In focus of this research is franchisee satisfaction as an acquire of the right of representation – contractor of the franchise agreement, franchisee as a member of distribution system and franchisee as individual that experience franchise as satisfaction for invested efforts, knowledge and money. Research uses scientifically verified questionnaire of four university teachers (Abdullah and other.,2008) satisfactory internal consistency ($\alpha = 0,87$). Questionnaire contains five dimensions of franchisees' satisfaction: 1) social interaction, 2) service support, 3) financial, 4) assurance and 5) competence. Contains a total of 23 particles. Research is conducted between owners of the right of representation (dealers) and managers on the highest and middle level, employed in ten various automotive sales and service representative (ten different principals) in the area of Republic Croatia. After final analysis of the data obtained through the SPSS software package are discussed factors affecting the franchisee satisfaction. Also regression analysis indicates that the relationship between competitive position and its franchisee satisfaction shows meaningful, significant and consistent relationship.

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1. INTRODUCTION

Franchise is business format in which franchise provider (franchisor) replicates its way of doing business – market positioning, brand and a series of procedures and operations, allowing to smaller independent contractors franchise recipient (franchisee) using of this business format with refundation (Davies et al.;2011.;322). All around the world franchise way of doing business becomes an important instrument of contractors activity in a wide range of business like as retail sale, fast food, constructions, catering, finance etc.(Szulanski & Jensen;2008.;1733). Relation between franchise provider and independent franchisee characterized interdependence: franchisor expects that franchisee does business on certain level, inner defined guidance and standards while franchisee count on franchise support. In growing competition conditions for franchisor becomes imperative building of quality and effective relationship with franchisee, that will become precondition for competitive advantage acquisition (Kuan;2008.;119). This relationship franchisor-franchisee frequently instead of cohesion efforts is ballasted by opportunistic behavior tensions as well as conflict of interests (Barthelemy;2008.;1453), this in certain extent influents on reducing potentially valuable elements of franchise relationship or contract. Accordingly, category of franchisor satisfaction as a signator of franchise contract, as a member of distribution system and individual that experience franchise as satisfaction for invested efforts, knowledge, time and money, leads to rapid development and effectiveness of whole system (Rooh et al.;2008.;88). Pluralist attitude about value and impact of company resources (Barney; 1991), also and environment and market (Porter; 1980) on reaching sustainable competitive advantage, raises need for value analysis of franchise contract as a basic source for franchisee satisfaction – intangible resource that is basic predisposition of sustainable competitive advantage, that according opinion of Rindov and other (2010) builds both from resources and contingent environment.. Work deals with the influence of certain type of franchise contract on franchisee satisfaction and organizational performances encompassing five satisfaction dimensions: 1) social interaction, 2) service support, 3) financial, 4) assurance and 5) competence. Research is conducted on luxury products market in Republic of Croatia, on the examples of ten groups (ten different franchise provi-

dors) of retail sales and service representatives, whose franchise contracts are strategic different. This sector is very suitable for analysis of franchisee satisfaction of doing business, because company business strategies varies, products and technology are very complex, customers are sophisticated, brand value is important, and a competition is global and intense (Grünhagen, 2011, 58). Sector is very delicate indicator of economic fluctuations and changes, a selling is done by retail network based on franchise principle. Certain parts of the automobile industry value chain, are connected with different global, regional and national access in forming strategies. Based on a market approach differences of certain automobile producers through their retail network representatives, regarding franchise contract regulations it should be terminated market most optimal and most effective competitive approach that enables the highest franchisee satisfaction level regarding forces and weaknesses of franchise system and according environment opportunities and threats.

2. CONCEPT OF FRANCHISEES SATISFACTION

Franchisees satisfaction is powerful concept of franchise business. It raises brand value decreases franchisor's costs, contributes representatives and longterm franchise network sustainability and mutually increases incomes (Abdullah et al.;2008.;183). Concept of franchisees satisfaction gets more on its important, because many franchisors recognize importance of measuring and valuation concept. Franchisees satisfaction measuring is basis to improve relations in network. By regular level and structure satisfaction researching, and consequently by redesigning elements that causes dissatisfaction, attracts future franchisees and existing increases efforts aiming better business results. Franchisees satisfaction as well as customer satisfaction is abstract concept that exist only in franchisees mind (Gauzente;2003.;510). To a certain extent concept is ambiguous because despite similar environment, franchisee satisfaction level will vary from franchisor to franchisor, since it shows discrepancies between expected performance and its perception. High satisfaction level occurs when perception transcend expectations. Franchisees satisfaction is a term that covers more dimensions. Because of the franchise relation nature, franchisee will have expectations and perception according a lot of elements that covers brand, marketing, training, manuals, leadership, employment, advices, finance etc. The concept is further complicated by changing expectations and needs of franchisee over time, and there is a difference between certain franchisees. Franchisor continuously by learning, innovations and leadership should develop franchise network. result, a franchisee satisfaction concept is liable to permanent changes.

2.1. Previous researches

Modern researches defines franchise as business relation that sales knowledge and benefits of one organisational system (franchise provider, franchisor) to potential franchise recipient or franchisee, consequently to an end customer. (Paswan i Wittmann, 2009). The same authors think that the key for success of franchise system is management of invisible resources –knowledge, respectively contract inner and between organisation. Model of franchise contract is important because of legal and functional aspect, marketing, finance, production, supply chain management, human resource management, and regulates relation between franchisor and franchisee through its involved intense in business process and decision in specific area of responsibility. (Lafontaine, 1993., Dant i dr., 1996., Bercovitz, 1998). Importance of franchise contract especially accents Kashyap et al.(2012) in their examination of contract incentive and relation of both side in franchise channel, before and after contract signature. As organizational form, franchise is intensively researched during past twenty years, when experience the most significant growth and global presence. Alon and other (2010) write about franchise way of doing business as a prevalent way in service sector, for example inner automobile industry in sale and service sector. Special attention is focused on trust and satisfaction relations between participants in franchise network. Academical researches shows significant correlation between large number of satisfied franchisees and longterm growth and franchise development, which are part of:

- 1) Hing (1995) – discover positive correlation between satisfied franchisees and their attention to recommend this franchise system to others
- 2) Hing (1995) – satisfied franchisee highlight that he would be part of this same franchise again
- 3) Morrisson (1997) – satisfied franchisee accomplish performances beyond expected and is committed member of the organisation
- 4) Justis i Judd (2002) – ideal satisfaction inner franchise is accomplished when both sides feel the same – than mutual useful and longterm relation is building and holding
- 5) Gauzente (2003) – franchisee satisfaction inner network is necessary precondition for continuous business activity over years
- 6) van Wyk and de Jager (2009) – satisfied franchisee expects high level of independence, potential income, education, market and information, operative support, marketing support, etc.

- 7) Khams (2013) – highlight influence of system quality , franchise competitive advantage, respect for franchisor and market activity to the satisfaction of franchisees.

It is obvious that high level of franchisee satisfaction is not only desirable, they are vital.

3. RESEARCH

3.1. The research problem

For contribution to the success of franchise it is necessary to create franchisee satisfaction conditions by performances of franchisor in context of mutual relations , while identifying areas of satisfaction and their priorities based on franchisee perceptions.

3.2. Research objectives

Primary research object is to determine total franchisee satisfaction level regarding contract category which they are attached to franchisor , and after that to determine importance of five franchisee satisfaction factors that are researched.

3.3. Sampling

Electronic questionnaire includes retail representatives for car sale and service, ten different franchise in Republic Croatia , owners of right of representation (dealers) and managers on high and middle management level .They are divided in four groups according franchise contract category: 1)each one is direct importer, 2) general importer for the territory of RH, 3) participates in network management through Franchise board, 4) without participation in network management. A total of 248 franchisees were contacted and 72 responded, which represented a response rate of 29%.

3.4. Questionnaire design

Questionnaire were developed by Abdullah et al. (2008) and it has been used in previous researches, it is made of five dimensions of satisfaction (social interaction, service support, financial, assurance and competence) which contains total 23 particles. For valuation of each particle it been used Likert's scale from 1 to 5. Second part of the questionnaire collects demographic data about respondents, and a company data.

3.5. Data collection

Sent email to the respondents contained link towards questionnaire. Advantage of such method include speed and economy, visual attraction, simplicity and interaction.

3.6. Findings of the research

The level of overall franchisee satisfaction varies depending on the category of franchise contract that defines business rules and interaction inner each franchise. Franchisees that are part of the network in which business function on the principle of general importer for whole Croatin market shows the highest satisfaction level ($M=4,32$; $SD=1,01$). Respondents, franchise members without Franchise board are the following in satisfaction ($M=4,05$; $SD=1,09$). Than follows franchise recipients where exists franchise board with $M=3,51$ i $SD=1,22$. Franchisees with the lowest satisfaction level are network members where each member is also importer for it's area of responsibility. ($M=3,27$; $SD=1,12$). Research of the influence and importance of five factors on franchisee satisfaction according category of franchise contract gave following results (factors are sorted from the most influent towards the less influent: 1) network with general importer: finance, service support, social interaction, confidence, competence 2) network with dealer importer: competence, finance, service support, social interaction, confidence 3) network with franchise board: social interaction, competence, finance, confidence, service support 4) network without franchise board: finance, competence, service competence, confidence, social interaction.

Demographic data determine typical responder related to gender (male 82%), age between 45-55 years(62%), university degree (52%) dealer experience 15-17 years (82%), manager experience in dealership 5-8 years (71%). Companies are privately owned since its founding (100%) with the highest level of domestic capital (74%). Majority of the companies are middle companies(62%) with number of employees 25-35 (58%) and with two bureaus(59%).

4. CONCLUSION

Objective of this work is to illustrate levels of franchisee satisfaction inner franchise. Franchisee satisfaction can result in positive and negative behaviour, and according this and competence position on domestic market.

There are few basic factors that influence on franchisee satisfaction and this were used for research purposes: social interaction, finance, service support, confidence and competence.

Research shows that franchisors that are from the beginning better prepared for franchise business, gives to franchisee appropriate support in certain market conditions, and also influence on mutual relation and franchise advancement, continuous and longterm cause higher franchisee satisfaction levels, therefore ensure competence advantage with regard to other franchise.

Measuring franchisee satisfaction is very important instrument for franchise management because it shows concerning and commitment to the franchisee. Object of the measuring is an object of easier and more effective management. Based on the measuring results are developed practical strategies for furtherance of problematic areas. Furthermore franchisee appreciate strong, frequently and meaningful mutual communication and franchisee satisfaction measuring experience as respect of their own opinions and attitudes.

Research has shown that relation between competence position of franchisee and its satisfaction shows meaningful, significant and consistent relation.

At the end, implications for the practice. Franchisors should pay attention to franchisee relation according each satisfaction instrument, and a importance that they are attach to, concerning categories of franchise contract.

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