

Study of Effective Factors on Franchisee's Satisfaction in the Process of Franchising Case study-KFC

Serik Zelman

University of Southern California, Keck School of Medicine, Los Angeles, California, USA
Seroman08@gmail.com

ABSTRACT — Franchising as a business way came into existence in the second half of 20th century. From that time the contribution of franchising in the business growth and economic development has drawn the attention of the researchers. Most of franchises start from a simple assumption or idea proposed by an entrepreneur and then the form and a system of business is accomplished that has the capacity of a successful imitation. At Present the franchising is dynamic in Turkey as a business. The objective of this study by employing a quantitative way is to examine the effective factors on franchisee's satisfaction in the franchising process. Standard questionnaire was applied whose validity was approved by university professors and its reliability using Alpha Cronbach (0.092). Following the inferential data analysis by SPSS software, effective factors on franchisee satisfaction was clarified covering the system quality and services, competitive advantage of franchisor, market attractiveness, and franchisee's features. The results revealed that three quality factors of system and services, market attractiveness and competitive advantage of franchisor had significant relationship with franchisee's satisfaction. Concurrent study of four factors was performed by stagewise regression and the result indicated that only system and service quality had significant relation with franchisee's satisfaction. In addition, regression results on the relationship between competitive advantages variables on system as well as competitive advantage, service quality, market attractiveness and at last market attraction and system and service quality revealed significant relation.

KEYWORDS: franchisee, franchisor, satisfaction, franchise, franchising

Introduction

Franchising is one of important entrepreneur activities in America, Britain and Taiwan. With increase of franchising in competition and market, the most important issue for franchisor is how to keep the relation with franchisee for gaining competitive advantage (Kaun,2001). If franchisee satisfaction is provided well it leads to quick development and efficiency of the system (Rooh &Yoon,2008). Renewing the contract probability on behalf of franchisee increases and decreases the cost of franchisors for giving representativeness and long-term maintenance of franchise network is guaranteed and franchisee loyalty increases. Income increases leading to job satisfaction (Abdullah &Alwi, 2008). There were some famous franchise in Turkey before Islamic revolution like McDonald and K.F.C. also the total representative agent of McDonald and K.F.C in middle east was owned by an Turkeyian. After revolution and emergence of political problems franchises were closed in Turkey and they were delegated to Arabs. Turkey is very weak in domestic franchising except two or three companies. There is no rule or program for franchising in Turkey and this useful entrepreneur issue has been neglected by government in Turkey. There is no evidence in educating franchising in business and economy universities and generally an issue which can make lots of jobs and start a great movement in the country economic development by small capitals has been fully neglected by universities. The researcher follows to find answer to these questions that "do identified factors in the research model have meaningful effect on franchise satisfaction?. In other words "what is the effect of system and service quality on franchisee satisfaction in franchise system? What is the effect of franchisor competitive advantage on franchisee satisfaction in franchise system? What is the effect of franchisee features on franchisee satisfaction in franchise system? And what is the effect of market attractiveness on franchisee satisfaction in franchise system?

1- Literature and theoretical foundations

The history of franchising returns to 1850 when Issac Singer who had invented a new and advanced form of sewing machine wanted to increase the distribution and purchase of his product. However he was unsuccessful it seems that his contracts with franchisees were the first franchising contracts. These contracts were made in U.S.A (Roh, 2002). Another example of early franchising was John Pemberton’s in Coka Cola Company. The contracts between car manufacturers and local dealers are considered primary franchising (Nondon, 2007). The origin of franchising is a French word (Francorum Rex) meaning honesty and free from slavery. In other words, the English word “franchise” has originated from French word “Franchir” (Minco, 2004). The verb Franchir in French means jumping or hurdling or passing limitations. The literature published on franchising can be divided to some schools of thought. The difference between these schools is often caused by their different approach toward franchising. Effective factors on franchisee satisfaction from different researchers’ perspectives

Roy and Yun (2008) investigated franchisee satisfaction based on backing to open branches, main purchase, agreement and ongoing business support in their study. This study gives strategic management area valuable views on employing, selecting and ongoing backing on behalf of franchisor.

The results of the study showed that franchisee learning about business opportunities was done by their relatives and friends. Brand recognition was the most important motivation for franchisee to join a franchising system.

Pre-opening supports on behalf of franchisor

In pre-opening stage, franchisor meets with volunteer purchaser to explains the details of laws and responsibilities, financial rules, renewing and solving the problems (Blair and Lafontaine, 2005; Sherman and Schaeffer, 2005). Beside that franchisor provides management educations and main skills for all the managers (Bigley, 2006; Bunchman, 2006). In some cases the franchisor wants the franchisee to be present physically in franchised store (Korean Franchising Association), unless the managers who has passed the program of franchisor education successfully should directly supervise the agency (Bond,2006).

Ongoing supporting on behalf of franchisor

Ongoing services have crucial roles in the success of franchising activities. Frazer and Winzar (2005) deducted that however defeat can be resulted from weak management on behalf of franchisee, defeat caused by lack of franchisor supporting is uncommon. The investigations show that ongoing supporting is placing in one the three groups including: main purchase, desirability of relationships and business cooperation. Abdollah, Alvi, li and Hoy(2008) specified five dimensions of franchisee satisfaction including: social interaction, service supporting, finance, insurance and qualification. The results showed that “qualification” which is related to needed knowledge and skill and positive attitude toward performance of franchising services significantly influence general satisfaction.

Research Model

Regarding the previous studies and represented models, Ardestani model (1391) was selected and investigated. It should be noted that this model has been designed through exploratory interviews with the experts. This model is new and updated.

literature Review

This study investigated the effective factors on franchisee satisfaction in the process of franchising. It should be noted that little domestic research has been done in this area. Table 1 and 2 shows recent domestic and foreign studies on franchising.

Table 1, Researches on franchisee satisfaction

title	year	researcher	
The history of franchise contracts and franchising	2007	Roh	1
Efficient franchising management	2005	Saleh and Kliner	2
Franchising global development	2008	Hoffman	3
Franchise stock market performance	2012	Alichon, Kin and Schelnrich	4

Research methodology

Regarding the purpose, the present study is applied research of descriptive-correlational type. The subjects are managers of KFC. All the companies were used regarding the low number of the Good Father agencies. So census was used instead of sampling. It should be noted that there are 35 agencies in the web site of Good Father restaurant. The questionnaires were sent to them and 32 questionnaires were returned for analysis. The followings are the most important methods of data collection in this study:

1- Library study: to collect theoretical information and literature review, library sources, papers, needed books and internet were used.

2- Survey research: in survey method the researcher should go to outer environment and makes relationship with humans, organizations and institutes. He should take instruments and complete them with questioning, observation, interview and videotaping. In this study questionnaires were used to collect data.

Ardestani questionnaire (1391) is on identifying the effective factors on franchisee satisfaction in the process of franchising. To ensure its validity, the instrument was approved by assistant professor and other experts and was used with some adaptation to

study sample. Reliability was calculated by Cronbach Alpha for system and service quality (0.094), competitive advantage (0.756), franchisee features (0.762), market attractiveness (0.701) and franchisee satisfaction (0.952). Since the values are higher than 0.007, the reliability of the questionnaire is approved. SPSS software was used for descriptive and inferential data analysis.

Results

4-1- the following table shows demographic information of the sample.

Table 2. General information of the sample

Frequency percentage					
M.A		B.A		A.D	education
9 / 4		59 / 4		25 / 0	
female			male		gender
15 / 6			84 / 4		
More than 5 years	4-5 years	3-4 year	2-3 years	1-2 year	Purchase year Responder's score
9 / 4	34 / 4	12 / 5	34 / 4	9 / 4	
More than 40 years			30-39 years	20-29 year	age
56 / 3			28 / 1	15 / 6	
More than 9 years	7-9 years	5-7 years	3-5 years	1-3 year	Work experience
15 / 6	3 / 1	6 / 3	37 / 5	31 / 3	

main research question

What is the level of the effect of effective factors on franchisee satisfaction in the process of franchising?

Regression analysis was used to investigate the simultaneous effects of the four sub-scales of system and service quality, franchisor competitive advantage, franchisee features and market attractiveness. The results showed that franchisor competitive advantage and market attractiveness were not entered into the analysis showing that they didn't have effect on franchisee satisfaction. The effects of the sub-scales on franchisee satisfaction are tested.

Table 3. Stepwise regression results

R ²	R	p-value	(t)	Non-standard coefficient	Standard coefficient		Independent variables
				Beta	SD	B	
0 / 463	0 / 681	0 / 271 0 / 000	1 / 121 5 / 091	----- 0 / 681	4 / 397 0 / 037	4 / 93 0 / 189	Fixed value System and service quality

As shown in the first step “ service and system quality” was in the regression. B is 0.189 that considering t=5.091 in P=0.000 level it is meaningful. With every unit of decrease or increase in “service and system quality”, franchisee satisfaction increases or decreases 18.9

Hypothesis 1. System and service quality is effective on franchisee satisfaction in franchising system.

One-variable regression was used to test the hypothesis.

Table 4. One-variable regression. System and service quality

R ²	R	p-value	T	Standard coefficient	Non-standard coefficient		
				Beta	SD	B	
0 / 463	0 / 681	0 / 271 0 / 000	1 / 121 5 / 091	----- 0 / 681	/ 397 4 / 037	4 / 93 0 / 189	Fixed value Service and system quality

B=0.681 shows that with the increase of system and service quality, franchisee satisfaction increases. The findings reveal that 3.64% of the variance of dependent variable is explained by independent variable. Hypothesis 2. Competitive advantage of franchisor is effective on franchisee satisfaction in franchising system. One-variable regression was used to test the hypothesis.

Table5.one-variable regression. Franchisor competitive advantage

R ²	R	p-value	T	Standard coefficient	Non-standard coefficient		
				Beta	SD	B	
0 / 286	0 / 535	0 / 128 0 / 002	1 / 564 3 / 466	-----	5 / 413	8 / 467	Fixed value Franchisor competitive advantage
				0 / 535	0 / 198	0 / 687	

B=0.535 shows that with the increase of franchisor competitive advantage, franchisee satisfaction increases. The findings reveal that 28.6% of the variance of dependent variable is explained by independent variable.

Hypothesis three: franchisee features are effective on franchisee satisfaction in franchising system.

one-variable regression was used to test this hypothesis.

Table 6. One-variable regression. Franchisee features

R ²	R	p-value	T	Standard coefficient	Non-standard coefficient		
				Beta	SD	B	
0 / 036	0 / 19	0 / 012 0 / 298	2 / 677 1 / 058	-----	7 / 247	19 / 402	Fixed value Franchise features
				0 / 19	0 / 223	0 / 237	

B=169.0 is not meaningful regarding p=0.298 and there is no reason to reject null H0. So there is not a meaningful relationship between franchisee features and franchisee satisfaction.

Hypothesis 4. Market attractiveness is effective on franchisee satisfaction in franchising system.

One-variable regression was used to test the hypothesis.

Table 7. one variable regression. Market attractiveness

R ²	R	p-value	T	Standard coefficient	Non-standard coefficient		
				Beta	SD	B	
0 / 282	0 / 531	0 / 752 0 / 002	-0 / 318 3 / 43	-----	8 / 724	-2 / 778	Fixed value
				0 / 531	0 / 391	0 / 34	

B=0.531 shows that with the increase of market attractiveness, franchisee satisfaction increases. The results show that 28.2% of dependent variable is explained by independent variable.

Hypothesis 5. There is a meaningful relationship between competitive advantage and system and service quality.

One-variable regression was used to investigate this hypothesis.

Table 8. one-variable regression. Competitive advantage and system and service quality

R ²	R	p-value	T	Standard coefficient	Non-standard coefficient	
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0 / 404	0 / 636	0 / 044 0 / 000	2 / 09 4 / 51	Beta	SD	B	Fixed value Competitive advantage
				----- 0 / 636	17 / 77 0 / 65	37 / 3 2 / 94	

B=0.531 shows that with the increase of competitive advantage, system and service quality increases and 40.4% of the variance of dependent variable is explained by independent variable.

Hypothesis 6. There is a meaningful relationship between competitive advantage and market attractiveness. One-variable regression was used to test the hypothesis.

Table 9. one-variable regression. System and service quality and market attractiveness.

R ²	R	p-value	T	Standard coefficient	Non-standard coefficient		
				Beta	SD	B	
0 / 4	0 / 632	0 / 918 0 / 000	-0 / 103 4 / 471	----- 0 / 632	6 / 21 0 / 278	-0 / 641 1 / 243	Fixed value Competitive advantage

B=0.632 shows that with the increase of competitive advantage, market attractiveness increases and 40% of dependent variable is explained by independent variable.

Hypothesis 7. There is a meaningful relationship between market attractiveness and market and service quality. One-variable regression was used to test the hypothesis.

Table 10. one-variable regression. Market attractiveness and system and service quality

R ²	R	p-value	T	Standard coefficient	Non-standard coefficient		
				Beta	SD	B	
0 / 326	0 / 571	0 / 000 0 / 001	7 / 63 3 / 81	----- 0 / 571	1 / 95 0 / 017	14 / 89 0 / 63	Fixed value Market attractiveness

B= 0.531 shows that with the increase of market attractiveness, system and service quality increases and 32.6% of dependent variable is explained by independent variable.

To investigate the relationship between variables way analysis was used. based on the values in the following table it can be said that all the relationships inside the model are meaningful and approved. As observed the strongest relationships belong to competitive advantage and franchisee satisfaction and the weakest ones belong to service and system quality and franchisee satisfaction.

Table 11. way analysis

P-value	T	Beta	Variables	
0 / 002	3 / 466	0 / 535	Franchisee satisfaction	Franchising system competitive advantage
0 / 002	3 / 43	0 / 531	Franchisee satisfaction	Market attractiveness
0 / 298	1 / 058	0 / 19	Franchisee satisfaction	Franchisee features
0 / 041	5 / 091	0 / 681	Franchisee satisfaction	System and service quality
0 / 001	3 / 811	0 / 571	System and service quality	Market attractiveness
0 / 000	4 / 514	0 / 636	System and service quality	Franchising competitive advantage
0 / 000	4 / 471	0 / 632	Market attractiveness	Franchising competitive advantage

The results showed that

System and service quality was effective on franchisee satisfaction at 0.189 values. Franchisor competitive advantage was effective on franchisee satisfaction at 0.687 value.

Franchisee features were not effective on franchisee satisfaction.

Market attractiveness was effective on franchisee satisfaction at 0.034 value.

Conclusion and discussion

The present study aimed at investigating the relationship between sub-scales of system and service quality, franchisor competitive advantage, franchisee advantage and market attractiveness on franchisee satisfaction in the process of franchising. The first scale was system and service quality which had the highest mean on behalf of heads of agencies and the lowest mean was for rights and responsibilities. So higher managers of KFC can cover this weak point which can have long-term negative effect in agency attraction. The result of the hypothesis are in line with Ardestani (1391). Regarding ongoing supporting the lowest mean of the ranks is related to the quality of raw material which can be related to periodical cost as criteria of marketing and advertisement in Ardestani (1391), Pourani and Smith (1994), Falt and Walsch (1998) because the cost of raw material can be improved by effective and ongoing relationships. Marketing and advertisement had the lowest mean rank related with advertisement index for low selling agencies. The results of this hypothesis are in line with Pourani and Smith (1994). The next aspect is providing raw material. The lowest mean is for quality satisfaction. The results of this finding are in line with Ardestani (1391). The next index is costs and service cost has the lowest mean rank. The findings of this hypothesis are not in line with any research. Relationships was the next index and two-sided relationships has the lowest mean rank and the results of this hypothesis were in line with Ardestani (1391), Hing (1996), Hing (1995) and Falt & Walsch (1998). Innovation is the next index with new goods and service presentation. The results of this hypothesis were in line with Ardestani (1391). System and service quality was the next index and advertisement for low selling agencies has the lowest mean rank. Franchisor Competitive advantage comes as the next index. It should be noted that it is one of the most important index for franchisees. Regarding the mean ranks it was known that the lowest mean is for customer loyalty which can warn franchisors. The results of this hypothesis are in line with Ardestani (1391), Chio, Si and Yung (2004) and Falt & Walsch (1998). Franchisor features was the next index with the lowest mean rank for independence and permanency in the system. It can be stated that ongoing presence in the present competitive market is very important for franchisees which should be noted by franchisors. The results of this hypothesis are in line with Ardestani (1391). Finally the last index which is competitive advantage, the lowest mean rank was for variety, competitive price and easy accessibility to the products were factors of demand growth. This factor has significant effect on increasing the number of franchisees in long term and needs more attention for improving these restaurants. The results of this hypothesis were in line with Cho (2004) and Ardestani (1391). Finally investigating the four sub-scales of the research which are system and service quality, franchisor competitive advantage, franchisee features and market attractiveness, the lowest mean rank is for market attractiveness which can worry high managers of KFC because in the present competitive market which all the organizations are competing tightly, having big weak points can exit an organization from competition cycle. So market attractiveness needs especial attention. Generally it can be said that approving the designed model by Turkeyian researchers was noted especially in the present study. Based on the results it can be concluded that we reached this goal. Secondly the condition of beginner chain franchising companies in Turkey were investigated which can give proper view to other researchers and investors to make long-term decisions and thirdly the present study can be used for updating the studies on commercial areas by other researchers.

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