

# Franchisors' Relationship Marketing and Perceived Franchisor Support on Franchisors' Performance: A Case of Franchise Food and Beverage in Thailand

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**Abstract**—Nowadays, Franchise business is the contribution of income to the economy of developing countries. Especially, among small and medium size enterprises (SMEs) have taken opportunities for developing a business. Hence, the big challenge to franchise system is how to position the business and clearly differentiate it from more competitors. This study is undertaken to investigate the franchisees' satisfaction, which is a measurement of franchisors' performance. In particular, how franchisor can better manage their franchisees so as to ensure sustainability of their franchisees. It is also established that the perceived franchisor support mediates the relationship between relationship marketing and franchisors' performance. 111 Thai franchisors in food and beverage of Thailand, this will match to their franchisees. 80 questionnaires were collected from franchisees that represent a 72.07% response rate. The results of this study have presented evidence that perceived franchisor support (PFS) is the contribution in the franchise business system. The mediating effect of PFS is the key structure of franchisors' performance to keep in touch for future success in the franchise system.

**Index Terms**—Franchisors' performance, franchisee satisfaction, perceived franchisor support (PFS) and relationship marketing.

## I. INTRODUCTION

Franchise business is an attractive business for small and medium enterprises (SMEs). The business format of franchise requires the relationship between franchisors and franchisees, as savvy entrepreneurs to take up the challenges of self employment. In Thailand franchise business has been initiated since 1983, it is the main contributor of income and potential to the economy of Thailand. In the economic environment, both franchisors and franchisee can provide a variety of benefits to their business. This study selected the franchisees food and beverage industry to be the sample of the study. This industry has been highly competitive in the franchise business. On the other hand, each year the number of franchises is increasing but at the same time the number of franchise closure is also increasing [1]. One of the main reasons for the closure of the franchisee in Thailand is due to the poor relationship between franchisor and franchisee [2]. This is similar to franchisors who are not concerned with

developing the already established franchisees [3]. Thus, the increase in the failure rate of franchisor is due to the dissatisfaction amongst the franchise holders. Despite franchisee satisfaction is related to franchisee buying behavior, there have been limited attempts to evaluate empirically the factors which contribute to a satisfactory franchise relationship, particularly from the perspective of franchisees and identifies the final stage of the buying process [4]. Therefore, franchisee satisfaction as the biggest predictor of whether a franchisee will recommend their franchisor to a prospective franchisee that is their level of satisfaction with their performance [5]. Thus, this study proposed that relationship marketing contributes positively to franchisors' performance. Furthermore, this study tests the mediating effect of perceived franchisor support on the relationship between relationship marketing and franchisors' performance. The results show the strong relationship between the franchisor marketing strategy variables and franchisors' performance of which is perceived by franchisee satisfaction. The findings are meaningful and useful to small and medium enterprises involved in franchise businesses. These are important and critical knowledge to the success of franchise.

## II. LITERATURE REVIEW

### A. Franchisors' Performance Perceived by Franchisee Satisfaction

Organizations have used the performance measurement to implement system in the cooperation management between parties. It often includes issues related to satisfaction of customer and stakeholder. Franchisor Performance also refers to the satisfaction of the franchisee with the services given by its franchisor [6]. Franchisee satisfaction is the extent to which a franchisee is contented with the franchisor as it affects his or her role in the franchise organization. Satisfaction with the franchisor will positively affect franchise performance [7]. Moreover, managerial implications on franchise system show the efficiency operation and customer satisfaction as the indicator of franchisor's performance [6].

The distribution of franchisee responses for the satisfaction items associated with purchasing and operating a franchised outlet, the measurement of franchisee satisfaction required their appraisal of certain costs and benefits and initial and ongoing franchisee support services provided by franchisors [8]. Being satisfied as the behavior in franchise relationship, franchisees' satisfaction is contingent upon their expectations. Thus franchisors should focus on the specific dimensions that contribute to franchisees' dissatisfaction and emphasize

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specific dimension of continuing service to improve the relationship both parties to fulfill the contractual duties and responsibilities [9]. Thus, franchisors must design a proper system of distribution of goods or services that will help the franchisees to market their products. This will lead to improve satisfaction of franchisees with respect to the services provided by the franchisor [10].

### *B. Relationship Marketing and Franchisors' Performance*

Relationship marketing is concerned with attracting new customers and keeping existing customers to be loyal. A key strategy in relationship marketing is the design and maintaining and in multi-service organizations enhancing customer relationship around which a customer relationship can be established [11]. The various dimensions of relationship marketing are found to be important to business manager to ensure customer satisfaction, and also important for a franchise system. This includes the services provided by the franchisor as a basis for improving the quality of franchise relationship [12]. The relationship marketing has important strategic implications for both the managers of the franchising companies and the franchisee satisfaction [11], [13]. Trust and communication are shown as important dimensions of relationship marketing to create value between parties [14]. Trust and communication can improve the relationship between franchisor and franchisee toward franchisee satisfaction and there are important antecedents for a franchisee's intention to remain in the franchise system [12].

*Trust* is the belief that another party can rely on with confidence to perform role responsibilities in a fiduciary manner [15]. Trust as the expectation held by the consumer that the service provider is dependable and can be relied on to deliver on its promises [16]. Especially, in franchise business, trust is a result in the franchisee's belief in the franchisor's integrity which is a necessary prerequisite for contractual norm [17], trust as an antecedent of satisfaction in marketing channel relationship. Thus, franchisee's satisfaction on the franchise systems is an outcome variable that is influenced by trust and a high level of trust is important to the success of franchisor- franchisee relationship [7].

*Communication* is a formal relationship review in each partner's performance such as discussion of any changes in marketplace or production condition [18]. Communication is further complicated in franchise business as the power balance between franchisee and franchisor is efficient. When communication is clear and consistent, both franchisees and consumers learn to trust the responsibility of the franchisor to steer the system in the right direction [19]. Relationship marketing is very important for franchise system and in reinforcing franchisee satisfaction.

### *C. Perceived Franchisor Support*

According to, in the marketing literature there is a focus on customer's perception of service and product that will have an influence on long term purchasing behavior [20]. Customer perceived value in a relationship marketing need to focus on customer's perception to develop value in the relationship between parties [21]. The human resource management is often focused on satisfaction of fellow-worker. This is similar to the franchisee is a fellow-worker of franchisor that the franchisees always focus

on the satisfaction from their business [22]. However, in the context of business to business relationship studies have related perceived organizational support (POS) relationship between two parties, especially in the sale context [23]. Perceived organizational support will lead to job satisfaction and organizational commitment and will enhance organization performance [24]. The findings of previous studies, it was found that perceived organizational support and perceived managerial support do play a mediating role [25]. This is because perceived organizational and managerial support measure the support by an organization and this is similar to the measure of franchisor support perceived by the franchisee. Perceived franchisor support (PFS) relates to the continued services given by the franchisor to its franchisee both in the initial stage and throughout (ongoing) the franchise agreement. For example, business assistance is the franchisor generally offers services to the franchisees such as target market analysis, sales forecast and analysis, new product development and product improvement [9]. According to, franchise business is a relational exchange between parties on contractual agreement and shows the franchisees perceived relationship from franchisor in making business decisions. It is essential to each party to achieve sustainable profitability [26]. The franchisor should develop the business to motivate franchisees to uphold their satisfaction in the relationship decision to continue a franchise business by increasing support or assistance to franchisee. Franchisor who provides the assistance required to the franchisees will be viewed by the franchisees to be better than those who did not [27]. Thus, based on the literature review this study will identify perceived franchisor support is related to franchisees' satisfaction that can be enhanced franchisor performance, and the ongoing business assistance as the dimension of perceived franchisor support whether the perception of franchisee will influence the relationship marketing on performance of franchisor in business.

## III. OBJECTIVES OF THE STUDY

The objectives of this study are undertaken to investigate the franchisees' perception of franchisors' performance in the franchise food and beverage industry in Thailand. The study examines the factors that lead to the franchisees' perception of the performance of the franchisor and tests the mediating effect of perceived franchisor's support on the relationship of relationship marketing to franchisors' performance. This study seeks to achieve the following objectives: (i) to examine the relationship between relationship marketing and franchisor's performance and (ii) to examine the mediating effect of perceived franchisor support on the relationship between relationship marketing and franchisor's performance.

## IV. RESEARCH METHODOLOGY

As the results of the previous empirical researches on the relationship marketing and franchisors' performance should be further developed. With regards to the objectives, this study looks at four main hypotheses as follows:

H1: There is a positive relationship between relationship marketing and franchisor’s performance.

H<sub>1.1</sub>: There is a positive relationship between trust and franchisor’s performance perceived by franchisee satisfaction.

H<sub>1.2</sub>: There is a positive relationship between communication and franchisor’s performance perceived by franchisee satisfaction.

H2: There is a positive relationship between relationship marketing and perceived franchisor support.

H<sub>2.1</sub>: There is a positive relationship between trust and ongoing business assistance.

H<sub>2.2</sub>: There is a positive relationship between communication and ongoing business assistance.

H3: There is a positive relationship between perceived franchisor support and franchisor’s performance.

H<sub>3.1</sub>: There is a positive relationship between ongoing business assistance and franchisors’ performance perceived by franchisee satisfaction.

H4: Perceived franchisor support mediates the relationship between relationship marketing and franchisor’s performance.

H<sub>4.1</sub>: Ongoing Business assistance mediates the relationship between trust and franchisor’s performance perceived by franchisee satisfaction.

H<sub>4.1</sub>: Ongoing Business assistance mediates the relationship between communication and franchisor’s performance perceived by franchisee satisfaction.

A. The Sample Framework

The data collection was conducted amongst franchisees who are the currently involved in franchise food and beverage industry in Thailand. Respondents of the study include the Thai franchisees, with more than 5 franchisees. Respondents of the study comprise 80 franchisees, with a response rate of 72%. Each franchisee is required to rate the performance of each franchisor. The questionnaires for this study are adapted from previous studies with acceptable reliabilities ( $\alpha > 0.70$ ). The questionnaires consisted of the following section: (1) demographic profile of the franchisees, (2) relationship marketing, (3) perceived franchisor support, (4) franchisee satisfaction. Franchisors’ performance is measured by franchisees’ satisfaction and thus will be used inter-changeably in the paper. Respondents( franchisees) are asked to indicate their responses on a five-point Liker scale ranging from (1) “Strongly disagree” to (5) “strongly agree” and from (1) “Very dissatisfied” to (5) “Very satisfied”.

Data of this study was analyzed by using the Statistical Package for Social Science (SPSS) version 20.0 for window. Cronbach-alpha coefficient of all construct was greater than 0.70.

V. RESULTS

A. Respondent’s Profile

The respondents participating in this study is franchisees, sixty eight (85%) owner and twelve (15%) manager (Table I). With regard to gender, the data showed fifty one (63.75%) female and twenty nine (36.25%) male. A majority of respondents are aged less than 50 years. All the respondents obtained an undergraduate education forty three (53.75%),

twenty six (32.50%) have a high school education, and just only eleven (13.75%) have a postgraduate education. In terms of the experience in franchise business, fifty six (83.75%) franchisees have experience less than 5 years and twenty four (16.25%) franchisees have experience more than 5 years. Fifty seven (71.25%) franchisees have employee less than 5 people per outlet. Most of franchisees had the capital invested less than 500,000 Baht. The location of the franchisee shop/outlet will open in commercial districts 36.25% and shopping malls 36.25%.

TABLE I: SUMMARY OF RESPONDENT’S PROFILE (N = 80)

Profiles	Frequency	%
<b>Job Title</b>		
Owner	68	85.00
Manager	12	15.00
<b>Gender</b>		
Male	29	36.25
Female	51	63.75
<b>Age</b>		
20-29	20	25.00
30-39	31	38.75
40-49	22	27.50
50 or above	7	8.75
<b>Education</b>		
High School	26	32.50
Undergraduate	43	53.75
Postgraduate	11	13.75
<b>Number of year in business</b>		
Less than 1 year	21	26.25
1-2 years	21	26.25
3-4 years	14	17.50
5 years	11	13.75
More than 5 years	13	16.25
<b>Number of employee in business</b>		
Less than 5 people	57	71.25
5-10 people	16	20.00
11-20 people	5	6.25
More than 20 people	2	2.50
<b>Capital invested</b>		
Less than 100,000 Baht	33	41.25
100,000 - 200,000 Baht	15	18.75
200,001 - 300,000 Baht	8	10.00
300,001 - 400,000 Baht	4	5.00
400,001 - 500,000 Baht	3	3.75
More than 500,000 Baht	17	21.25
<b>The location of your shop</b>		
Commercial districts	29	36.25
Shopping malls	29	36.25
College towns	8	10.00
Residential area	14	17.50

B. Measure Development

This study is able to discover some interesting insight. The results of the study show that there is no multicollinearity and it can conclude that the discriminate validity has been established. It can be used to reinforce the competitive advantage of business on franchise food and beverage industry. In the context and methods applied in this study have been a satisfying certain levels of research assumptions (Table II).

TABLE II: MEANS, STANDARD DEVIATIONS, AND PEARSON’S CORRELATION BETWEEN VARIABLES

Variables	Mean	SD.	Reliability	Trust	Communication	Ongoing Business Assistance
Trust	4.01	0.75	0.855			
Communication	3.48	0.86	0.813	.518**		
Ongoing Business Assistance	2.95	1.15	0.877	.378**	.586**	
Franchisors’ Performance	3.62	0.86	0.948	.696**	.707**	.624**

Note: \*\* p value < 0.01

C. Hypothesis Testing

Table III summarizes the results of hypothesis testing.

Trust ( $\beta = 0.540, p < 0.001$ ) and communication ( $\beta = 0.316, p < 0.01$ ) were significant and positive relationship with the franchisors' performance. Therefore,  $H_{1,1}$  and  $H_{1,2}$  were supported by the data. Furthermore from the regression model, it can be observed that trust ( $\beta = 0.456, p < 0.001$ ) and communication ( $\beta = 0.380, p > 0.001$ ) also have a significant and positive relationship with ongoing business assistance. Hence, both  $H_{2,1}$  and  $H_{2,2}$  were supported. However, ongoing business assistance was proceeded with the addition of results to show ongoing business assistance ( $\beta = 0.745, p < 0.001$ ) has a significant and positive relationship with franchisors' performance perceived by franchisee satisfaction. Thus,  $H_{3,1}$  was supported.

TABLE III: SUMMARIZES THE RESULTS OF HYPOTHESIS TESTING

Hypothesis	Independent	Dependent	$\beta$	R <sup>2</sup>	
H1	H <sub>1,1</sub> , Trust	Franchisors' Performance	0.540	0.622	Supported
	H <sub>1,2</sub> , Communication	Franchisors' Performance	0.316		Supported
H2	H <sub>2,1</sub> , Trust	Ongoing Business Assistance	0.456	0.657	Supported
	H <sub>2,2</sub> , Communication	Ongoing Business Assistance	0.380		Supported
H3	H <sub>3,1</sub> , Ongoing Business Assistance	Franchisors' Performance	0.745	.555	Supported

Fig. 1 presents that relationship marketing as independent variable affects distal franchisors' performance as dependent variable through perceived franchisor support as a mediating by Baron and Kenny [28] to respectively take competitive model to fulfill the following four steps. Under the step four condition, ongoing business assistance to franchisee satisfaction has reached significant level of  $p < 0.001$ , the effect of communication and trust to franchisee satisfaction is reduced from  $\beta_2, 0.456$  to  $\beta_4, 0.342$  and  $\beta_2, 0.380$  to  $\beta_4, 0.303$  respectively, and reaches the significant level of  $p < 0.001$  and  $p < 0.01$  respectively.

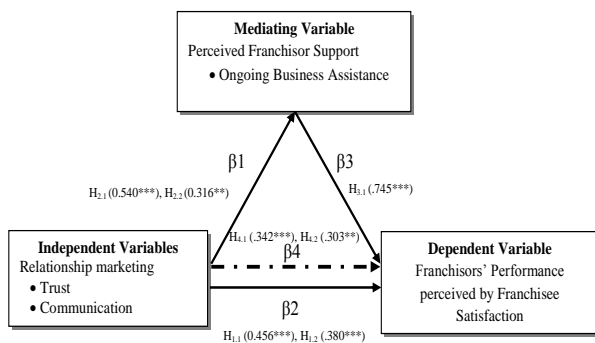


Fig. 1. Mediation structure of perceived franchisor support in the relationship between relationship marketing and franchisors' performance

As the results,  $H_{4,1}$  and  $H_{4,2}$  were supported by the data. These results showed that ongoing business assistance has partial mediating effects on the relationship among trust, communication and franchisors' performance perceived by franchisee satisfaction.

## VI. DISCUSSION AND IMPLICATION

The result of this study is to be able to identify how franchisors can better manage their franchisees so as to ensure sustainability of their franchisees. The finding it can be seen that ongoing business assistance has a mediating effect on the relationship of relationship marketing and franchisors' performance. This study has shown that both

dimensions of relationship marketing have a positive relationship with the franchisors' performance. Trust and communication consist of contractual and perceived relationship quality. It is important for franchisor to drive the franchise system and develop good relationship with their franchisees [17]. An interesting of the study is that although both trust and communication are significant to ongoing business assistance. Furthermore, ongoing business assistance is also significant to franchisors' performance, and the results showed that ongoing business assistance has a mediating effect on the relationship among trust, communication and franchisors' performance. The results of this study have presented evidence that perceived franchisor support is the contribution in the franchise business system. Ongoing business assistance was provides additional effect in the relationship between franchisor and franchisee.

As the results show that trust and communication have an influence on franchisee's satisfaction towards the franchise business. Therefore, franchisor on food and beverage industry in Thailand should address trust and communication in their relationship with their franchisees. It can be concluded that both trust and communication are important factors for franchisees' satisfaction which is a measure of franchisors' performance [12]. It can also be deduced that the mediating effect of perceived franchisor support can support the relationship between franchisor and franchisee. It is also essential to support the small and medium size companies because entrepreneurs who do the franchise business can be achieved sustainable profitability. This supports the marketing strategy of the franchisor to ensure the effectiveness franchise system. Henceforth, it is expected that Thai franchise would be able to organize these advantages to the interest of franchise business. Franchisor could provide the information that influence to franchisees' experience, and they can be evaluated the franchisors' performance to support their decision making in the future. Furthermore, the practitioners can provide solutions to overcome the closure of the franchisees this can be done by looking at the survival of franchisor and franchisee in the franchise food and beverage industry in Thailand. Specifically, it can also be used to assist the small and medium-sized companies in franchise business to formulate their market strategies in order to sustain franchisee satisfaction in long-term.

## VII. CONCLUSION AND RECOMMENDATIONS

Based the finding of the study and discussed the results, the finding of this study still have important implication to theory and practice. The findings of the study provide evidence on the empirical justification in the relationship between franchisor and franchisees. The results obtained in this study are in line with the survey conducted previously in the other countries. This study investigates the selection criteria using franchisees who are currently doing the franchise business. The results show that Thai franchisor on food and beverage industry should increase the relevant relationship marketing to enhance franchisee perception through perceived franchisor support. However, for the future research, should be conducted on data from the franchisee that is already out of business. Because it is might measure franchisors' performance through the franchisee that

has experience in the business and already decision to leave from franchise market. Furthermore, the data from franchisor might also be useful as then the perceptions of both franchisor and franchisee can be examined. Thus, future researches may want to consider the dyad data analysis to include in the sample that helps the study examine the convergence in the franchise system.

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