

## MULTIPLE UNIT FRANCHISING AND MARKETING PERFORMANC

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**Abstract:** This study investigated the relationship between franchising arrangements and marketing performance of textile distributors in South-East, Nigeria. The study was anchored on Transaction Cost Theory (TCT) and convenient sampling was employed in order to reach the study objectives. The analysis revealed positive and significant relationship between the variables investigated. The findings revealed that franchising is a factor that motivate both intending and existing entrepreneurs to remain or enter into business. Multiple unit franchising has a strong and positive relationship between customer satisfaction and market share. Conclusively, franchising has a positive and significant relationship with marketing performance. It was recommended that textile distributors in South-east, Nigeria should fully adopt the practice of franchising in order to boost their business activities.

**Keywords:** Franchising, marketing performance, franchisee, franchisor

### INTRODUCTION

#### 1.1 Background to the Study

The challenges entrepreneurs encounter to access or gain better part of the market is enormous. This could be due to many reasons; finance, knowledge of the territory they wish to capture, customers need, when and how they need them. In order to reduce these challenges entrepreneurs seek a collaboration among themselves through franchising. Franchising is a concept of marketing used for business expansion. It is widely accepted as one of the foremost business model for replicating successful business around the world, (Chiagozie, 2016). The franchisor licences its technical know-how to the franchisee with a fee. The agreement between the franchisor and the franchisee is done through a written terms and conditions guiding the agreement. Consumers prefers a proven and standard quality for products and services irrespective of their location, they still look for the same quality of products and services. Franchising breach the gap between location and the products/services offered with little difference according to the custom and the tradition of a particular area.

#### 1.2 Statement of the problem

Most entrepreneurs are still within the location where they started their business, this is not because he products/service is not of a good standard or does not command demand, its due to the fact that they lack the resources to acquire larger markets. Franchising help in the transmission of knowledge of the business,

technology and experience to a wider sphere; it is also highly practicable as a global business pattern, (Baresa, et al., 2017). Organizations can apply it as a model of growth and strategy for fresh ventures or existing one. Franchising has been proven to limit these short coming among business owners in Rivers state. For instance most OANDO filling stations in River state has been converted to NNPC filling stations. This is done in order to enjoy the leverage of getting petroleum products with the already established and proven link with NNPC.

#### 1.4 Aim and objective of the study

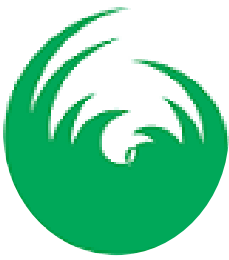
The purpose of the study I to determine the extent of the relationship between multiple unit franchising and marketing performance among textile distributors in South-east, Nigeria. While the special objective are:

1. Determine the extent of the relationship between single unit franchising and customer satisfaction
2. Examine the extent of the relationship between product distribution franchising and market share.
3. Investigate the extent of the relationship between multiple unit franchising and market share.

### CONCEPTUAL REVIEW

#### 1.1 Concept of franchising

The idea of franchising is an arrangement of marketing goods and services and as well as the technology whose workings are spelt out in a written contract endorsed by two or more parties. The giver (franchisor) allows the recipient (franchisee) the right as well as imposing an



obligation of running the business in accordance with the franchisor's concept and business model.

The concept is usually applied in a tested and profitable business area that has the potential of further survival; the franchisee conversely leverages on the acceptance of the product to make his on living. It is an avenue for firms to enter foreign markets and expand internationally, (Hoffman et al., 2016). The franchisor provides the franchisees with the knowledge(know-how) to conduct the business, the franchisee pays franchise license as well as fees as agreed with the franchisor, (Sherman, 2011). The entrepreneur who is challenged with the problem of finance, technical know-how, managerial capabilities, competences etc. in setting up his own business in a stiff environment, has the option to identify and take advantage of existing business to earn his own leaving, (Grzelak & Matejun 2013).

### 2.1.2 Dimensions of Franchising Arrangements

There are different types of franchising arrangements that can be used to access other markets; single unit franchising, product distributions franchising, multiple unit franchising etc. In this article my focus is on multiple unit franchising

#### Multiple units franchising (MUF)

Multiple unit franchising is established when the single unit franchising is profitable. Factors that motivate the expansion of units include: growth rate, system-wide uniformity, agency cost minimization, brand value, proximity and intra-system competition, (Weaven & Frazer, 2007). Franchisors allows units that are close to each other because the franchisee uses his relevant experience in marketing with similar demographic characteristics to become multi-unit owners., (Kalnins & Lanfontain,2004). This arrangement improves the system of franchising by using already available knowledge to recruit staff and supervise the unit level. As franchisee holdings grow, multiple unit franchisees tend to act as small franchisors, spending less time in day-to-day operations, focusing instead on tactical issues like planning, coordinating and building brand for their sub-system (Dant & Nasr, 1998). In the franchising partnership, more powerful multiple franchisees units may be given bigger flexibility informally than the unit with single holders. These holders are likely to move away from the procedures prescribed for them given their appreciation of the need to standardize in the franchising environment (Garg, 2005). Franchisors may

view multiple unit franchising as a method of promoting goal attainment and consistency in product distribution.

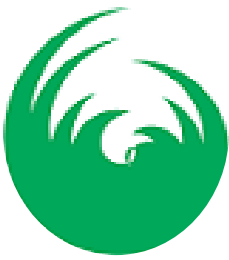
**Sales growth:** Entrepreneurs are usually faced with the problem of keeping their innovation; that someone else will beat them to the market with their own concept, franchising may be the only way to ensure that they capture a market leadership position before competitors encroach on their space, because the franchisee performs most of these tasks. Franchising not only allows the franchisor financial leverage, but also allows it to leverage human resources as well. Franchising allows companies to compete with much larger businesses so they can saturate markets before these companies can respond. The reasons why franchisees are allowed to establish more units is the growth rate of the franchised brand and the out lets.

**Uniformity:** In business to business like franchising, the consumer need to be assured of what they are buying and the best way to achieve it is when the system is unified. This will make the products/service the same in every area they are found with little difference according to regional taste. In the case of fabrics, the texture could change from region to region based on the weather and the trending colours and texture.

**Reduces agency cost:** Operating a new unit with different franchisee increases the cost of franchise chain. If the units are expanded through the same franchises it reduces cost of negotiation and awareness relationship of the partners. Franchise system expansion increases the cost of monitoring, time spent on sourcing for money and commitment to new product marketing activities. These costs can be minimized through multiple unit partner who deals with smaller units on behalf of the franchisor. Franchisees are attracted to franchising because it allows them to quickly start a business without much capital. In this regard they have the opportunity to use already developed format and its identity. Franchising allows the franchisor to meet the need of maintaining consistent system wide product quality at the same time reducing monitoring costs.

### 2.1.3 Concept of marketing performance

Marketing performance is defined as “The effectiveness and efficiency of an organization's marketing activities with regard to market-related goals, such as revenues, growth, and market share” (Homburg 2007 as cited in Beukes & Wyk, 2016). In measuring performance, a measurement model that can provide the link between nonfinancial performance and financial performance is



needed. There are five proposed construct that can be used to measure marketing performance: market share, customer satisfaction, customer loyalty/retention, brand equity, and innovation form the nonfinancial measures, and their joint impact on financial performance should be examined. For any business, as well as textile business to be effective in marketing it has to advertise, distribute and sell products and services, as well as interact through public relations, for these activities to be successful, investment is required to stimulate the demand for these products and services. Furthermore, the business requires a return on the funds that were invested because all organization have the basic aim of making enough profits to boost the shareholder's money or asset through using the capital they invested in the business to generate optimum return for them (Shim & Siegel, 2007).

#### 2.1.4 Measures of Marketing Performance

There are main indicators for performance measurement created for the purpose of measuring and defining its stated goals. In this study, we have decided to use customer satisfaction and market share in measuring marketing performance.

#### 2.2 Theoretical Foundation

There are four theories that talked about franchising but in this article I used Transaction Cost Theory (TCT) developed by Ronald Coase, 1937 as cited in Chandra, 2017. The theory explained why multiple unit franchising is preferred by entrepreneurs for expansion. TCT suggests that firms are trying to minimize resource sharing costs with the environment and that companies try to diminish routine outlay on trade within the business. The assumption of this theory was that the franchising parties are motivated by the good practices of each other and to take full advantage of the arrangement. TCT fundamental principles showcase that if performance assessment, adjustment, along with protection costs are low or absent, market control favours participants. If these expenses increase overcome market benefits in the market, the organization will support endogenous business. In other words, TCT

**Table 4.2.2: Summary of findings, significance level and decision**

Hypotheses	Correlation @	Degree of freedom	Significant	Decision
6	.766	0.01	Yes	Reject
7	.866	0.01	Yes	Reject
8	.717	0.01	Yes	Reject

has tried to explain why the company survives, and why companies are expanding or directing outdoor activities.

#### 3.1 Research Design

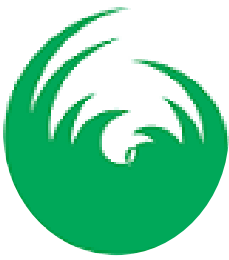
In this study, descriptive survey design was used, the justification for adopting survey research design is that it tends to be the mainstay of marketing research in general (Gupta & Gupta, 2011). Since the study was aimed at investigating the relationship between franchising arrangements and marketing performance of textiles distributors in South-east, Nigeria. Nwankwo, (1984) as cited in Nzeribe et al, (2013) stated that research design provides broad knowledge that characterized all group in the population from which the sample was selected; therefore, it is an authentic design as both hypothesis and research questions are used to arrive at results. The survey method becomes an appropriate design because the research requires collection of data that deal with the management, input and output.

#### 3.2 Population of the Study

The population of this study was 500 textile distributors identified in the directories of National Union of Textile, Garment and Tailoring Workers of Nigeria (NUTGTWN, 2015) South-East, Zonal office, Aba. (Please see appendix C at the back page). The states and the markets are: Abia- Ariaria International market, Aba, Anambra- Anambra-Onitsha International market, Onitsha, Ebonyi- Eke-imeoha market, Abakaliki, Enugu- Ogbete market and Imo state- Imo International market Owerri. The South-East states were chosen because they are found to be the beehive of economic activities in South-East, Nigeria and overwhelming majority of the textile distributors are concentrated there.

#### 3.9 Method of data analysis

Pearson Product Moment Correlation Coefficient (PPMCC) was utilized in testing the hypothesis in the study through the application of Statistical Package for Social Sciences (SPSS) version 21. The interpretation of respondents' perceived value of fabrics and rates was used to determined mean value with the 5-point Likert scale



From the research questions that was based on the extent to which franchising arrangements affects marketing performance (multiple unit and market share). Looking from the analysis above, there is a positive correlation between the dependent and the independent variables. For instance: question 6 shows .766, question 7 shows .866 and question 8 shows .717 respectively which made to reject the null hypothesis and accept the negative hypothesis.

#### **Conclusion**

The study revealed that franchising is one of the major factors that motivate entrepreneurs to enter or remain in business as such they choose among the franchising types that soothes their interest. Multiple unit franchising has a very strong relationship with customer satisfaction and market share. The reasons for the strong relationship is because it reduces agency cost, promotes system uniformity and increases sales.

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