

## FRANCHISOR FRANCHISEE : TRUST AN EMPIRICAL STUDY IN CHENNAI

M.AROKIARAJ @ JOHN\*

Dr. R SENAPATHI\*\*

### **Abstract**

Today franchising is a widespread entry mode and has become a cornerstone for companies who want to expand into foreign countries. An exchange perspective of franchising recognizes that both the franchisor and franchisee in developing and maintaining sustainable relationships. To maintain sustainable relationship the trust level of parties should be high. So the research is based on the franchisee trust towards the franchisor in franchise system for study. The researcher has used the descriptive research method for this study and a sample of 50 franchisee respondent from Chennai. Convenience sampling is adopted for collecting the information from the respondents. The information is collected using questionnaires, consisting of closed ended and multiple choices. The collected data are analysed and interpreted using percentage analysis. The results are obtained from a series of detailed interviews in franchisee trust. The conclusion is that the trust level between partners is high.

**Keywords:** Franchisee trust, Franchise system, Relationship and Parties

\* PhD-Research Scholar, Bharathiar University.

\*\* Director-MBA, Adhiparasakthi Engineering College, Melmaruvathur.

## INTRODUCTION

Business format of franchise organization recognizes that the success of its system is directly influenced by its ability to design and enforce rigid operational standards according to its network of retail units.

The franchisor trusts the franchisee; that's why he offers the franchisee his brand-name which has developed through hard work. He has to trust the franchisee where he can run the business exactly the way he has trained him to. If he interferes too much or keeps too much control the franchisee will soon feel suffocated. Similarly, the franchisee must not do something that will break the trust. Trust also plays a role in facilitating long-term customer relationships (Ganesan, 1994) as it evolves over a series of transactions, and if the end-users' experiences are positive trust is likely to stabilize and grow, encouraging end-users to use online services more extensively.

For many decades the concept of trust has gained interest in various areas of research. In the 1950s and 1960s researchers discovered the significance of trust in personal relationships (Erikson, 1953; Deutsch, 1958; Rotter, 1967; Tedeschi, J.T., Hiester, D. and Gahagan, J. 1969). Researchers dealing with the development of the concept of trust continued during the 1970s to carry out studies in the field (Gabarro, 1978; Corazzini, 1977; Williamson, 1975). In the 1980s there was published a wide range of research in different disciplines (Barber, 1983; Dwyer and Lagace, 1986; HaËkansson, 1982; Luhmann, 1988; Young and Wilkinson, 1989). In the 1990s this development continued (Grayson and Ambler, 1999; Gwinner, K.P., Gremier D.D. and Bitner M.J., 1998; Mayer, R.C. and Davis, J.H. and Schoorman, F.D.1995; Morgan and Hunt, 1994; Moorman, C., Deshpande, R. and Zaltman, G,1993; Young, 1992).

The objective is therefore to develop and describe an extended conceptual model of the trust concept, one that emphasises, comprises and permits mutual and simultaneous indirect issues of trust beyond franchise relationships.

## LITERATURE REVIEW

A system characterized by mutual interdependence as asymmetrical control, the success of franchising is heavily contingent upon significant manifestations of trust between the franchisor and franchisee. Franchisors thus need to maintain the trust and goodwill of their franchisee because a disgruntled franchisee that neglects or subverts operational policies that will weaken the brand identity of the franchise (Baucus, D.A., Baucus, M.S., Human, S.E., 1996), and leading to both diminished system sales and later recruitment difficulties. Growth and expansion will compound the gravity of this issue. Additionally, shifts in franchisee trust (with respect to their franchisors) likely to reflect the relative level of influence, or balance of power between the franchise parties. Since trust is critical to mutual profitability within the franchise system, franchisors have an economic interest in maintaining or bolstering franchisees' trust in them.

Trust can be defined as franchisee confidence in accepting a calculated level of risk with the franchisor (Coleman, 1990). The calculation of trust is based on criteria of trustworthiness. The importance of franchisee trust is that it is likely to be reciprocated by the franchisor, leading to direct salutary effects within the relationship. But at the same time Mutual trust reduces the costs arising from the distractions of close monitoring designed to prevent opportunism.

#### **OBJECTIVE OF THE STUDY:**

The prime objective of the study is to find out the Trust level of franchisee toward franchisor in Franchise system to achieve the main objective. The study focuses on the following sub objectives.

1. To find out the level promotional and managerial support provided by franchisor.
2. To find out the confidence level of the franchisee toward franchisor.
3. To find out the level of adoption toward, new system.

#### **SCOPE OF THE STUDY:**

The study includes the survey of the franchisee in order to measure the characteristic of franchisee. It is confined to fifty (50) samples due to lack of time and fund at the disposal of the researcher.

## **RESEARCH METHODOLOGY:**

### **Research**

Research is an art of scientific investigation. According to Redman and Mory, research is a “systematic effort to gain knowledge”. (1923)

Research methodology is a way to systematically solve the research problem. It is a plan of action for a research project and explains in detail how data are collected and analysed.

### **Research Design**

“A research design is an arrangement of condition for collection and analysis of data in a manner that aims to combine relevance to research purpose with economy in procedure”. (Claire selltiz, 1962)

The type of research used in this study is descriptive in nature. Descriptive research describes the related factors in franchise system, the characteristics of a group or individuals or situation.

### **Data Collection**

Both primary and secondary data are used in this study. The primary data is collected from 50 franchisee through questionnaire method. The collected data are taken for analysis and percentage method is used for analyzing the data. Secondary data are from journals and publication.

### **Sample Size**

We determine the sample size as 50 to strengthen the study.

### **Sample design**

The data has been collected from different franchisee in and around Chennai. Samples of 50 respondents are selected from Chennai for the study. Convenient sampling method is used.

## TABULATION AND ANALYSIS

### PERCENTAGE ANALYSIS

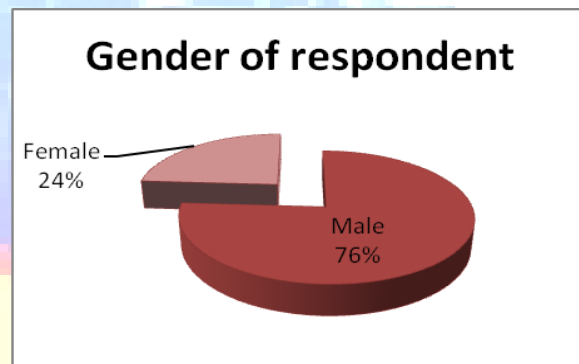
#### GENDER OF THE RESPONDENT

Table No: 1

| Gender | Respondent | Percentage |
|--------|------------|------------|
| Male   | 38         | 76         |
| Female | 12         | 24         |

Source: Primary data

Chart No: 1



#### Interpretations:

76% of the respondents are Male and 24% are Female among 50 respondents.

#### Age of the respondent:

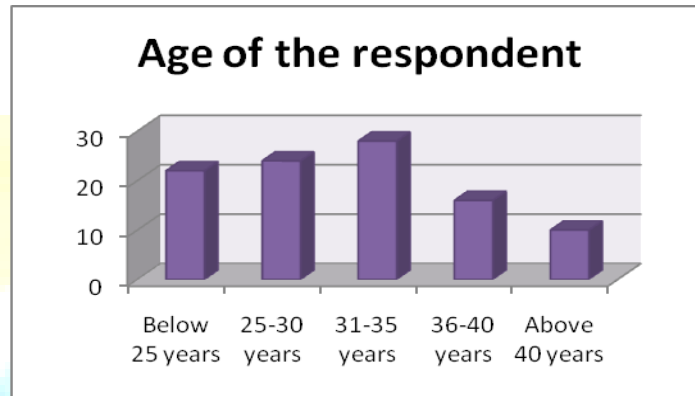
Table No: 2

| Age            | Respondent | Percentage |
|----------------|------------|------------|
| Below 25 years | 11         | 22         |
| 25-30 years    | 12         | 24         |
| 31- 35 years   | 14         | 28         |

|                |   |    |
|----------------|---|----|
| 36-40 years    | 8 | 16 |
| Above 40 years | 5 | 10 |

Source: Primary data

Chart No: 2



**Interpretations:**

22% of the respondents are below 25 years, 24% of the respondents are between 25- 30 years, 28% of the respondents are between 31- 35 years, 16% of the respondents are between 36-40 years and 10% of the respondents are above 40 years among 50 respondents.

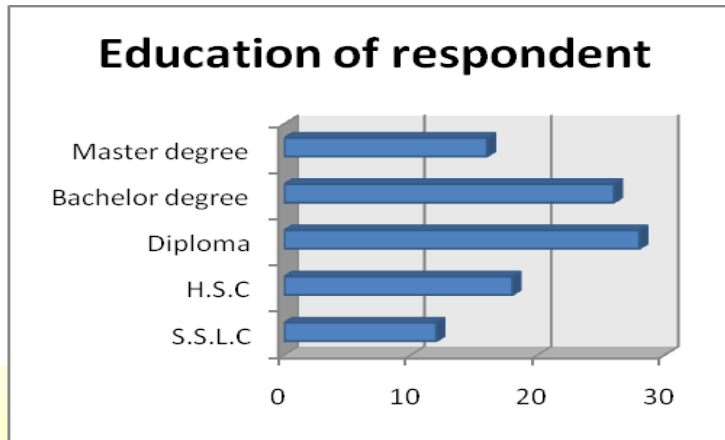
**Education of the respondent:**

Table No: 3

| Education       | Respondent | Percentage |
|-----------------|------------|------------|
| S.S.L.C         | 6          | 12         |
| H.S.C           | 9          | 18         |
| Diploma         | 14         | 28         |
| Bachelor degree | 13         | 26         |
| Master degree   | 8          | 16         |

Source: Primary data

Chart No: 3



**Interpretations:**

12% of the respondents are qualified as S.S.L.C, 18% are from H.S.C, 28% are Diploma, 26% are Bachelor degree and 16% are Master degree among 50 respondents.

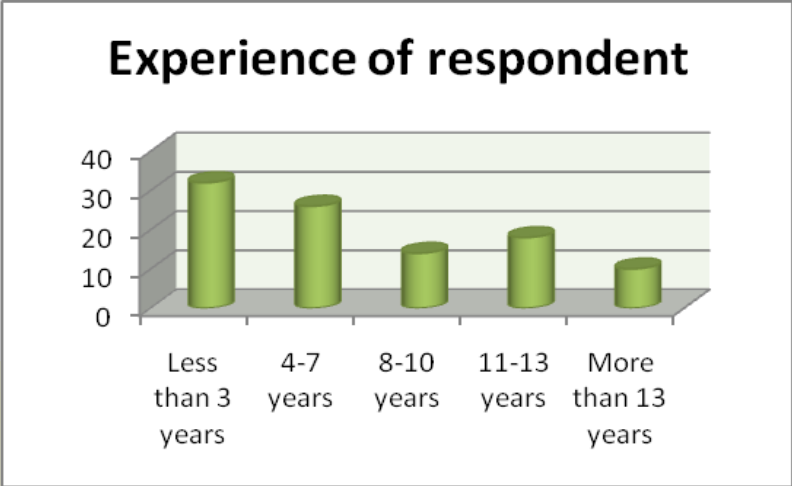
**Franchise Experience:**

**Table No: 4**

| Experience         | Respondent | Percentage |
|--------------------|------------|------------|
| Less than 3 years  | 16         | 32         |
| 4-7 years          | 13         | 26         |
| 8- 10 years        | 7          | 14         |
| 11-13 years        | 9          | 18         |
| More than 13 years | 5          | 10         |

Source: Primary data

**Chart No: 4**



**Interpretations:**

32% of the respondents have got less than 3 years experience, 26% have 4-7 years experience, 14% have 8-10 years experience, 18% have 11-13 years experience and 10% of the respondents are have more than 13 years experience among 50 respondents.

**Franchisee Co-operation:**

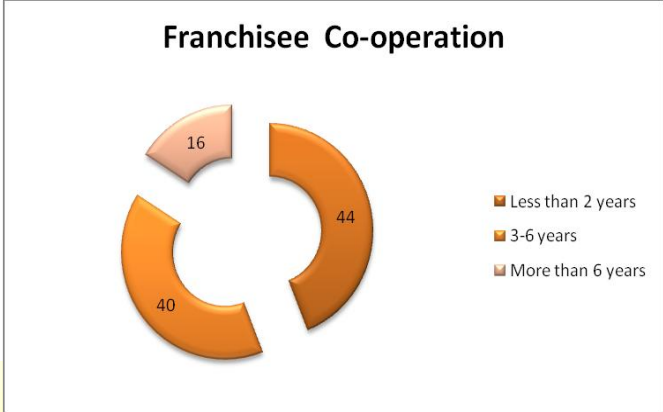
**Table No: 5**

| Franchisee Co-operation | Respondent | Percentage |
|-------------------------|------------|------------|
| Less than 2 years       | 22         | 44         |
| 3-6 years               | 20         | 40         |
| More than 6 years       | 8          | 16         |

Source: Primary data

**Chart No: 5**





**Interpretations**

44%, of the respondents have good co-operation with franchisor for less than 2 years term, 40% have good co-operation with franchisor who have 3-6 years term and 16% have more than 6 years among the 50 respondents.

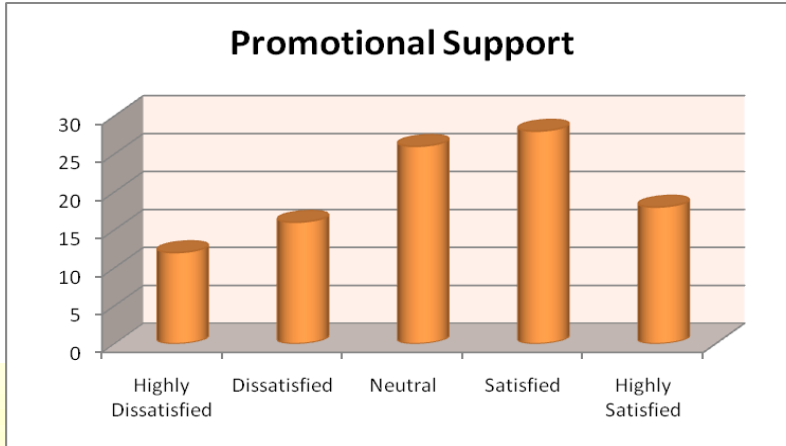
**Promotional Support:**

**Table No: 6**

| Promotional Support | Respondent | Percentage |
|---------------------|------------|------------|
| Highly Dissatisfied | 6          | 12         |
| Dissatisfied        | 8          | 16         |
| Neutral             | 13         | 26         |
| Satisfied           | 14         | 28         |
| Highly Satisfied    | 9          | 18         |

Source: Primary data

**Chart No: 6**



**Interpretations:**

Regarding to the promotional support made by franchisor 12% of the respondents are highly dissatisfied, 16% are dissatisfied, 26 % are neutral, 28 % are satisfied and 18% are highly satisfied among 50 respondents.

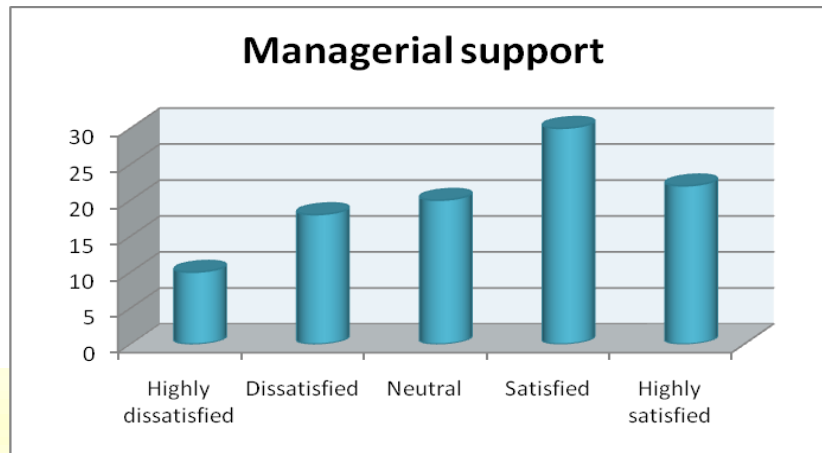
**Managerial Support:**

**Table No: 7**

| Managerial Support  | Respondent | Percentage |
|---------------------|------------|------------|
| Highly Dissatisfied | 3          | 6          |
| Dissatisfied        | 7          | 14         |
| Neutral             | 10         | 20         |
| Satisfied           | 20         | 40         |
| Highly Satisfied    | 10         | 20         |

Source: Primary data

**Chart No: 7**



**Interpretations:**

Regarding to the Managerial support made by franchisor 6% of the respondents are highly dissatisfied, 14% are dissatisfied, 20 % are neutral, 40 % are satisfied and 20% are highly satisfied among 50 respondents.

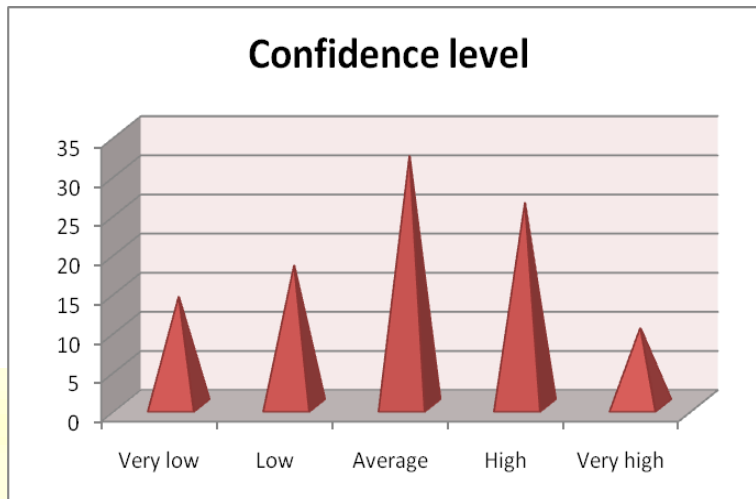
**Confidence level:**

**Table No: 8**

| Confidence level | Respondent | Percentage |
|------------------|------------|------------|
| Very Low         | 7          | 14         |
| Low              | 9          | 18         |
| Average          | 16         | 32         |
| High             | 13         | 26         |
| Very High        | 5          | 10         |

Source: Primary data

**Chart No: 8**



**Interpretations:**

Based on the table no 8 on the confidence level of the franchisee 14% of the respondents level are very low, 18% level are low, 32% are average, 26% are high and 10% are very high among 50 respondents.

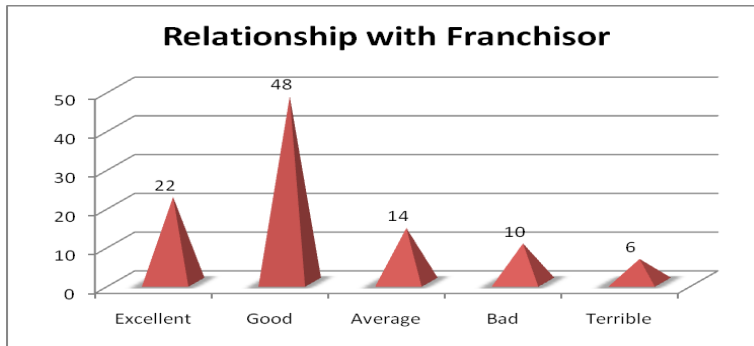
**Relationship among Partners**

**Table No: 9**

| Relationship | Respondent | Percentage |
|--------------|------------|------------|
| Excellent    | 11         | 22         |
| Good         | 24         | 48         |
| Average      | 7          | 14         |
| Bad          | 5          | 10         |
| Terrible     | 3          | 6          |

Source: Primary data

**Chart No: 9**



**Interpretations:**

The analysis of relationship with franchisor shows that 22% of the respondents have excellent relationship, 48% have good relationship, 14% have average relationship, 10% have bad relationship and 6% have terrible relationship among 50 respondents.

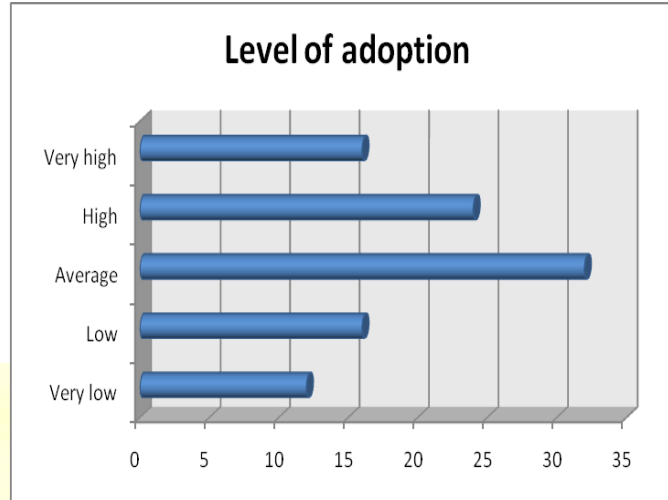
**Level of Adoption:**

**Table No: 10**

| Level of Adoption | Respondent | Percentage |
|-------------------|------------|------------|
| Very Low          | 6          | 12         |
| Low               | 8          | 16         |
| Average           | 16         | 32         |
| High              | 12         | 24         |
| Very High         | 8          | 16         |

Source: Primary data

**Chart No: 10**



**Interpretations:**

The adoption level of franchisee towards new system shows that 12% of the respondents have very low adoption, 16% have low adoption, 32% are average, 24% are high and 16% are very high among 50 respondents.

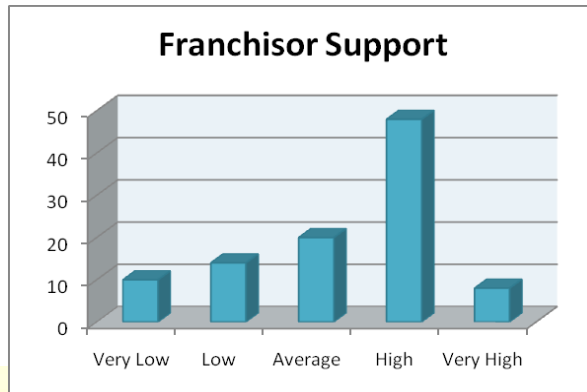
**Franchisor Support Level:**

**Table No: 11**

| Level of Support | Respondent | Percentage |
|------------------|------------|------------|
| Very Low         | 5          | 10         |
| Low              | 7          | 14         |
| Average          | 10         | 20         |
| High             | 24         | 48         |
| Very High        | 4          | 8          |

Source: Primary data

**Chart No: 11**



**Interpretations:**

On franchisor support to franchisee 10% of the respondents is very low, 14% is low, 20% is average, 48% is high and 8% is very high among 50 respondents.

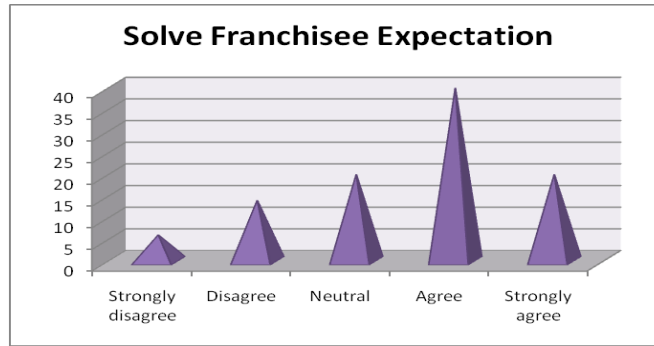
**Franchisor Solve Franchisee Expectation:**

**Table No: 12**

| Solve Franchisee Expectation | Respondent | Percentage |
|------------------------------|------------|------------|
| Strongly disagree            | 3          | 6          |
| Disagree                     | 7          | 14         |
| Neutral                      | 10         | 20         |
| Agree                        | 20         | 40         |
| Strongly agree               | 10         | 20         |

Source: Primary data

**Chart No: 12**



**Interpretations:**

6% of the respondents are strongly disagree on franchisor solve franchisee expectation, 14% are disagree, 20% are neutral, 40% are agree and 20% are strongly agree among 50 respondents.

**Work method of Franchisee:**

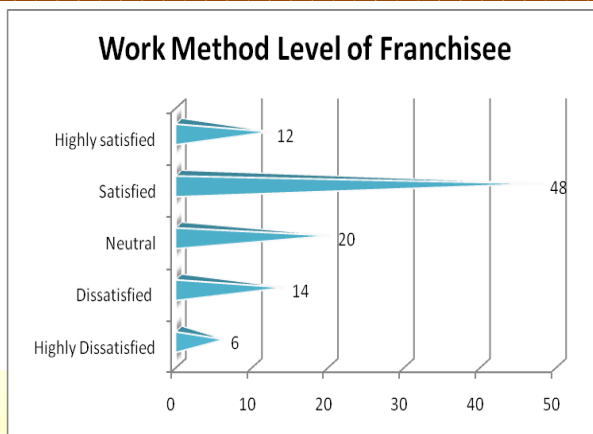
**Table No: 13**

| Work Method         | Respondent | Percentage |
|---------------------|------------|------------|
| Highly Dissatisfied | 3          | 6          |
| Dissatisfied        | 7          | 14         |
| Neutral             | 10         | 20         |
| Satisfied           | 24         | 48         |
| Highly satisfied    | 6          | 12         |

Source: Primary data

**Chart No: 13**





**Interpretations:**

Related to work method 6% of the respondents are highly dissatisfied,14% of the respondents are dissatisfied, 20% of the respondents are neutral,48% of the respondents are satisfied and12% of the respondents are highly satisfied, among 50 respondents.

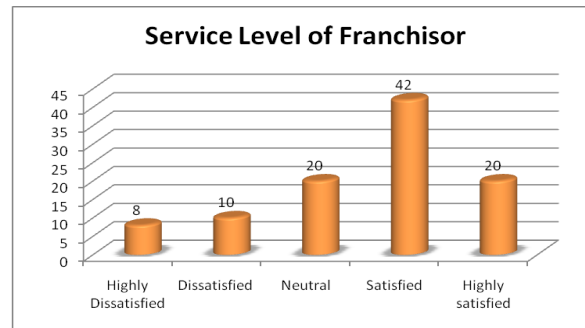
**Service Received By Franchisee**

**Table No: 14**

| Service             | Respondent | Percentage |
|---------------------|------------|------------|
| Highly Dissatisfied | 4          | 8          |
| Dissatisfied        | 5          | 10         |
| Neutral             | 10         | 20         |
| Satisfied           | 21         | 42         |
| Highly satisfied    | 10         | 20         |

Source: Primary data

**Chart No: 14**



### Interpretations:

On service 8% of the respondents are highly dissatisfied, 10% are dissatisfied, 20% are neutral, 42% are satisfied and 20% are highly satisfied, among 50 respondents.

### FINDING OF THE STUDY

- 76% of the respondents are Male and 24% are Female
- 22% of the respondents are below 25 years, 24% are between 25- 30 years, 28% are between 31- 35 years, 16% are between 36- 40 years and 10% are above 40 years among 50 respondents
- 12% of the respondents are qualified as S.S.L.C, 18% are from H.S.C, 28% of are Diploma, 26% are Bachelor degree and 16% are Master degree among 50 respondent
- 32% of the respondents have got less than 3 years experience, 26% have 4-7 years experience, 14% have 8-10 years experience, 18% have 11-13 years experience and 10% are have more than 13 years experience in franchise system
- 44%, of the respondents have good co-operation with franchisor for less than 2 years term, 40% have good co-operation with franchisor that have 3-6 years term and 16% have more than 6 years among the 50 respondents.
- Regarding to the promotional support made by franchisor 12% of the respondents are highly dissatisfied, 16% are dissatisfied, 26 % are neutral, 28 % are satisfied and 18% are highly satisfied.

- Regarding to the Managerial support made by franchisor 6% of the respondents are highly dissatisfied, 14% are dissatisfied, 20 % are neutral, 40 % are satisfied and 20% are highly satisfied.
- Based on the table no 8 on the confidence level of the franchisee, 14% of the respondents level are very low, 18% are low, 32% are average, 26% are high and 10% are very high.
- The analysis of relationship with franchisor shows that 22% of the respondents have excellent relationship, 48% have good relationship, 14% have average relationship, 10% of have bad and 6% have terrible relationship .
- The adoption level of franchisee towards new system shows that 12% of the respondents have very low adoption, 16% have low adoption, 32% are average, 24% are high and 16% are very high.
- On franchisor support to franchisee 10% of the respondents is very low, 14% is low, 20% is average, 48% is high and 8% is very high.
- 6% of the respondents are strongly disagree on franchisor solve franchisee expectation, 14% are disagree, 20% are neutral, 40% are agree and 20% are strongly agree.
- Related to work method 6% of the respondents are highly dissatisfied, 14% are dissatisfied, 20% are neutral, 48% are satisfied and 12% are highly satisfied .
- On service 8% of the respondents are highly dissatisfied, 10% are dissatisfied, 20% are neutral on service 42% are satisfied and 20% are highly satisfied.

#### SUGGESTIONS:

- Confidence levels among the partners have to be increased in order to have a smooth function of franchise system.
- Franchisor has to increase the promotional and managerial support to franchisee.
- Franchisor has to increase the service level in order to retain franchisee in franchise system.

- Relationship among franchisee has to be increased.
- Franchisee expectation have to be solved by franchisor

## CONCLUSION

The growth of franchising in India is inevitable, because of its unique style of business proposition and presence of several other factors which acts as 'positive' role concurrently. Entrepreneurs should realize this fact and look forward to gain the best from this business option. This paper strongly suggests that trust and satisfactions among partners are very important for the smooth functioning of the franchise system.

On the whole all the parties in the franchise system have to increase this confidence level for better understanding among them. This study concludes that the level of franchisee trust towards franchisor is high. But adoption to new system is very low that can be increased by providing training and proper communication system. Further Research could be made on commitment and strength of relationship between franchisee and franchisor

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ANNEXURE - I

FRANCHISOR FRANCHISEE: TRUST AN EMPIRICAL STUDY IN CHENNAI

1. What is your gender?

Male  Female

2. What is your age?

Below 25 years  25- 30 years  31- 35 years  36-40years

Above 40 years

3. What is your education?

H.S.C  S.S.L.C  Diploma  Bachelor degree

Master degree  Others \_\_\_\_\_

4. How many years of franchise experience do you have?

Less than 3 years  4 – 7 years  8-10 years  11- 13years

More than 13 years

5. How many years did you have co-operation with your franchisor

Less than 2 years  3 – 6 years  More than 13 years

6. Do you satisfied with franchisor promotional support.

Very dissatisfied  Dissatisfied  Neutral  Satisfied

Very satisfied

7. Do you satisfied with managerial support like training and process design.

Very dissatisfied  Dissatisfied  Neutral  Satisfied

Very satisfied

8. What is the level of franchisee confidence toward franchisor?

Very Low  Low  Average  High

Very High

9. What is your level of adoption towards the new system made by franchisor?

Very Low  Low  Average  High

Very High

10. Did the franchisor support you in all aspects?

Very Low  Low  Average  High

Very High

11. Did you agree that franchisor solve franchisee expectation?

Strongly disagree  Disagree  Neutral  Agree

Strongly agree

12. Are you satisfied with the work method?

Very dissatisfied  Dissatisfied  Neutral  Satisfied

Very satisfied

13. How would you rate the level of relationship with franchisor?

Excellent  Good  Average  Bad  Terrible

14. Are you satisfied with the service that you have received?

Very dissatisfied  Dissatisfied  Neutral  Satisfied

Very satisfied