

Influential Factors of Consumer Preferences in Choosing Franchise Food Outlets in Bangladesh.

Farhana Noor¹

Md. Moniruzzaman Sarker²

***Abstract:** Franchising is a familiar form of business in Bangladesh at the present time. Today established franchise brands operate in different lines of business in Bangladesh. Very few of them are successful and well recognized to the consumers because of their quality and performance. This study reveals some factors which influence the preference of consumers to analyze the performance of franchise organizations in Bangladesh. The results indicated that there is a positive relationship between those factors and preference of consumers in choosing franchise organization. The findings of this study suggest that product and service quality along with proper branding are the key factors. Moreover pricing, hygiene factors and location advantage of the franchise food outlets play vital role in consumer preference. It is also found from this study that the franchise organizations should take more promotional efforts to enhance their demand.*

***Key Words:** Franchising, Consumer preference, Influential factors.*

1. Introduction:

Franchising is the agreement between two independent business owners to operate business. By imposing some rules and regulations here one party (franchiser) gives the legal consent to another party (franchisee) to operate business. Now a day's franchising business is very popular among the consumers as well as business person. Doing franchising business is not similar to do other business like-retailing, wholesaling etc. Franchising is specially selling the distribution system to the independent business owner. According to Hoffman and Preble (1993), franchising is the form of 'business cloning' where franchisers want franchisees to offset their business in other location based on the business strategy, including product and service, trade name and methods of operations.

Now day's competitions are increasing regionally and globally. So many companies try to involve themselves in franchising business to diversify their operation. In franchising business format, there is a contractual connection between franchiser and franchisee both of which are legally independent business. This business format provides the franchisees the right to do business under franchiser's name. The franchisee can use the product or service along with the franchisor's specifying format to bring up the laws and regulations relating to the daily operation of business. In other words, royalties as initial payment to the franchiser is made by the franchisees (Stan worth and Purdy, 2006).

Although standardization is expected from the franchisee outlets, some outlets are not able to follow the same standards for products or services in the franchise system (Baucus et al., 1996). This is possibly due to increased demand for personalization of products and services which cause the concept of uniformity and standardization in franchise system consequently being challenge.(Rahman and Pun)

Franchise business in our country was not so focused during last decades .But during the last 12 years lots of owner started franchise business due to excess competition and to expand their business. That is why; local companies need to rethink about the new competition. They should boost up their effort to compete with the global companies. Therefore, evaluating the business is the key to find out the effective factors those affect the customers. This study determines consumers' responsiveness toward franchise business in Bangladesh.

2. Literature Review:

To understand the preference of consumers toward franchise business, consumers buying decision is the central point of the franchises. Consumer behavior is ever changing. The reasons of buying are more important rather what a customer buy. For the purpose of this research, authors want to know how do consumers' choice responses to various marketing efforts used by the franchisees and which factors are changed into responses as liking and disappointment. Therefore, this research represents an important issue of study that what factors originate the differences in consumer's attitudes and how they shape consumer's experience toward franchisee food outlets.

Miranda, M., Konya, L. & Havira, I. (2005) held that sometimes franchisees do not identify the factors, influences customer satisfaction. These factors are not same as what stimulate store loyalty and therefore the franchisees do not allocate scarce resources systematically among strategy manipulate one or the other. Special attention must be given in changing consumer behavior patterns unless it could shield their loyal customers from responding to competitors' special offers. Carpenter, J.M., Moore, M. & Fairhurst, A.E. (2005) in their study "Consumer shopping value for retail brands" proves that there exist major differences in consumer perceptions of hedonic shopping value across several retail brands. Therefore, customers are familiar with the exclusivity among the in-store experience which involves tough effort of retailers. This delivery of value, then, seems to be a successful foundation of differentiation. The results of this study indicate that retailers using a 'store as the brand' strategy should continue to invest in creating a specific, unique shopping experience for their target customer. Retailers, however, should always be mindful that regardless of the excitement and fun delivered in the shopping experience, consumers appear to expect utility including the right merchandise, in the right place, at the right time and at the right price.

According to Bradach(1998),in franchise business, to maintain standardization, all units in a chain should include visual marketing as well as physical design of the division, the menu, the production process and the production quality. Michael (2000) conducted a study on franchising business. Here the researcher wanted to find the effect of organizational form on quality. Here he said that in franchise business they not only maintain the quality of the product but also the franchising instructions to deliver standardized products. According to Stan Worth and Curran, to accomplish the franchise system, it is important to give a standardized product across all locations along the franchise outlets. Kaufmann and Eroglu (1998), Sorenson and Sorensen (2001) claimed that there is variation from standardization in franchise chain due to local adaptation. Other than that, franchisees also become gradually more knowledgeable about the

specific local markets that they serve and build up an expertise in helping and acting in response to the requirements of the local customers (Cox & Mason, 2007). According to Falbe and Dandridge, (1992), system standardization and consistency are very important to attract and retain customers.

The meaning of quality is not just as product quality in fast food chain. Stanworth and Curran said to put across a standardized product, franchiser's operating instructions are vital also. To give a standardized service across all locations is important for the success of the franchise system. Shane (1996) opined, in fast food chain restaurants, maintaining the product quality is the basic principle of franchising. They need to keep up same standardized service and products throughout the network.

Besides maintaining the quality of products, franchise businesses try to create unique brand image. That's why in the franchise chain, all units use a common trademark. Products will also be similar in all food franchise outlet, where location is less important factor. (Caves Murphy, 1976). Bradach (1997) added that by providing and delivering the same high quality of service in all location, franchisee of the franchise chain can create and maintain a super brand reputation. According to Treynor (1999) and Aaker (2003), franchisees use the brand to explore their own feeling for the value of that brand to the consumers. Consumers will pay high price for the preferred brand because of first rated awareness. It creates loyalty and willingness to a particular brand. Rubin, P.H. (1978) opined that potential franchisees are willing to pay to use the brand because overall perception of brand value is determined by the factors related to the functioning of the franchise. Investors considered three key facets of perceptual equity in a franchise: managerial experience and training, level of capital provision and business support mechanism. Kapferer (1998) found that most franchise systems emphasis on their "corporate" brand to represent the benefits of their products and services. According to Aaker, (2003), perceptual equity is greater for the potential franchisee. It is important for the potential franchisee to develop an impression of high perceptual equity toward their brand. The assurance of brand, in terms of meaning to the consumers and significance in the industry while people purchase or use the product and service must be provided by the franchisee.

Salmi, L. & Holmström, J. (2004) said that in order to competently deal out production capacity and procure materials, franchisors of food products require spotting the market condition and ending customer demand. According to Ziamou, P. & Veryzer, R.W. (2005) in buying new products, physical factors such as time and place also affect the consumer decisions process. Besides, "To evaluate franchisees the perceived use value of technology-based products persuades consumers.

Bauer, H.H., Hammerschmidt, M. & Staat, M. (2004) mentioned that the efficiency value derived can be understood as the return on the franchisees investment. Franchisee stores offering a maximum customer value relative to all other alternatives in the market are distinguished as efficient. Steenkamp Jan-Benedict, E.M. & Gielens, K. (2003) in their article "Consumers and market drivers of trial probability of new consumer packaged goods" opined that the effects of the franchising decisions of foreign firms are

systematically moderated by elements of the marketing strategy associated with the innovative retailing and customer relationship competencies of franchisee firms.

Therefore, it is reviewed that the researches done previously on franchise business are exploratory in nature. But this study applies the variables derived from the literature to describe the market scenario in Bangladesh. The researchers in this study have considered 4Ps (product, price, place, promotion). To measure customers responsiveness the researchers also consider other variables 'service', 'Hygiene factor', 'Brand image', 'Interior' etc. which have positive effect to influence the consumers in choosing franchise organizations in Bangladesh.

3. Objectives of the study:

The objective of this study is to explore the influential factors of consumer preference in choosing franchisee Food Outlets in Bangladesh.

Specific objectives are:

To identify the extrinsic factors those influences the perception of people towards the franchise organizations.

To categorize the cues those have more influence on consumers in evaluating the perceived quality of a franchisee food outlets.

To which extent the factors influence the consumer's choice to prefer the franchisee food outlet.

To develop the consumer's preference model toward franchisee food outlets in Bangladesh.

3.1 Statement of the Problem

The problem of this study is to determine the influential factors in consumer preference of choosing franchisee food outlets in Bangladesh

3.2 Research Goals

The research question used by the researcher helps to guide the creation of this study.

RQ: What are the influential factors that contribute to the preference of consumers in choosing franchise Food Outlets in Bangladesh?

To test the research questions, following null and alternative hypothesis are designed.

Hypothesis 1:

Ho: There is no significant association between the influential factors and consumer preference in choosing franchise Food outlets in Bangladesh.

Ha: There is significant association between the influential factors and consumer preference in choosing franchise Food outlets in Bangladesh.

4. Research Methodology

The research is descriptive in nature. Data and information required for this study were collected from both primary and secondary sources. To collect primary data a structured

questionnaire was designed on the basis of the objectives of the study. Secondary data were collected from company website, reports, electronic database and journals to develop theoretical background for the study. The variables covered in the study are product, price, place and promotion and service. In this study the target population is the people who have chosen the franchisee food outlets. A total number of 7 different outlets of Pizza Hut, KFC and Nando's were chosen as sampling frame and sample of 100 respondents were selected randomly. A total number of 150 structured questionnaires were delivered of which 100 respondents provided feedback. Random sampling (survey method) technique has been used to collect data. A structured questionnaire was developed by using nine-point likert scales ranging from strongly disagree to strongly agree. The questionnaire consists of 12 statements that are able to explore the preference of consumers in choosing franchise organizations accurately.

Data entry was done in SPSS 16.0 data editor and analyzed under some specific hypothesis. Statistical tools like frequency, crosstab and regression were used to assess data. To interpret the data cross tabulation were used in the first phase. To test the hypotheses, multiple regression is used as a statistical tool at 0.05 significance level.

5. Analysis of the study:

The study has tried to find out the consumers preference toward the franchise organizations in our country. From the cross tab combining the number of visit weekly and the preference in Table 5.1, it is apparent that for every type of visitors the preference is seemed to be positive. For the infrequent visitors (Once), frequent visitors (Twice or Thrice), and regular visitors (More than that), 78% claimed to have good and very good image toward these franchises. The proportion of visitors having extremely good image, though negligible, lies for the case of frequent and regular visitors.

Table- 5.1 Cross Tabulation between Number of visit*preference of consumers.

		Preference of consumers					Total
		Neutral	Somewhat good	Good	Very good	Extremely good	
visit	Once	2	4	21	15	0	42
	Twice or Thrice	4	3	17	12	2	38
	More than that	1	4	9	4	2	20
Total		7	11	47	31	4	100

Source: SPSS Output

From the following bar diagram combining the duration of visit and the preference in **Figure 5.1**, it is apparent that for every type of customer the preference is seemed to be positive. For the customers, who are visiting from last three months, last 6 months, last one year, last 2 years and more than that, 70% claimed to have good and very good image. The percentage of customers having extremely good image are 25%. Among them, most of the customers are lying in the category of last 2 years and more than that.

Figure- 5.1 Relationship between Duration of visit and Performance of Food outlets.

Table 5.2: Relationship between the influential factors and preference of consumers toward franchise organizations.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.868(a)	.754	.738	.270

a Predictors: (Constant), Location, Brand, Service_Q, Price, Hygiene, Product_Q, Interior, Advertisement, Sales_promo

b Dependent Variable: level_pref

The study uses variables influencing the consumer’s preference. Location, brand image, service quality, price hygiene factor, product quality, interior advertisement and sales promotion are taken as consumer’s preference factors. The results show that these factors are highly significant as they are affecting the preference of consumers toward franchise organizations of Bangladesh. These four factors together explain 75% of the total variation of the model. More addition of independent variables will have less impact on adjusted R square which is explained by 73.8%. The multiple coefficient of correlation (R=0.868) indicates that variables chosen are highly correlated and this give the model a good fit. [Table 5.3]

Table 5.3 Coefficients of dependent and independent variables

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.893	.361		-2.472	.015
	Product Quality	.202	.045	.230	4.509	.000
	Service Quality	.131	.042	.156	3.140	.002
	Price	.158	.046	.165	3.451	.001
	Brand	.139	.045	.162	3.114	.002
	Hygiene factor	.174	.043	.199	4.016	.000
	Interior	.137	.041	.169	3.323	.001
	Advertisement	.082	.045	.094	1.832	.069
	Sales promotion	.049	.045	.057	1.088	.278
	Location	.123	.042	.147	2.896	.004

Source: SPSS Output

a Dependent Variable: level of preference

From the table we can see that the significance level of product quality (0.000), service quality (0.002), price (0.001), Brand image (0.002), Hygiene factor (0.000), Interior (0.001), Location (0.004) are below 0.05, which indicates that these variables have

significant relationships with the choice of the consumers toward the mentioned franchise organizations. On the other hand, advertisement and sales promotion have significance level value more than 0.05, which indicates that these variables have no significant relationship with consumer's choice. So we can present our desired model to identify the influential factors in choosing franchise Food outlets:

$$\text{So Service Performance} = -0.893 + .202(\text{Product quality}) + .131(\text{Service quality}) + .151(\text{Price}) + .1399(\text{Brand}) + .174(\text{Hygiene}) + .137(\text{Interior}) + .123(\text{Location}).$$

Thus, it can be said that product quality, service quality, price, brand image, hygiene factor, interior and location have significant impact on the preference of consumers toward the franchise organizations in Bangladesh. On the other hand, advertisement and sales promotion don't have significant impact on the preference of consumers.

6. Findings

Out of total number of 9 variables studied, 7 factors seem to be associated with the preference of consumers. For the considered hypotheses, the null hypothesis is rejected. Therefore, these variables have significant association with the preference of consumers in choosing franchise organization. As the significance level of advertisement and sales promotion are above the significance level (5%), it is found that the preference of consumers toward the franchise organizations is not influenced by their promotional effort. This analysis indicates that the inclination of the consumer toward the franchise organizations depends on product quality, service quality, price, Brand image, Hygiene factor, Interior and Location.

7. Conclusion and Limitations:

This study concludes that the qualities of product and brand loyalty are significantly and positively effective on the preference of consumers in choosing franchisee Food outlets. In this study sales promotion status does not result in choosing franchise organizations. Brand loyalty and perceived quality, therefore, have positive and significant effects. In this work, we found the product quality is the most effective factor on purchase decision. In addition, among others, price, brand loyalty and service have the highest effect on the preference of consumers in choosing franchise organizations. Among Marketing-Mix factors, promotion has the less positive effect on consumer preference.

Limitations: Some limitations of this study are found. This study only focused on influential factors, which persuade the viewers to choose a particular franchise food outlets. The preference of different segments (such as male and female; young and old) are not found through the data, collected for this study. Because of time constrain our sample size is smaller for any descriptive research. More samples would have been produce better result.

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Influential Factors of Consumer Preferences in Choosing Franchise Food Outlets in Bangladesh.

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